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CA - 58-99

March 13, 1958

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, March 14, 1958

1.	Report on the Nashville Meeting of the Joint Federal-State Action Committee	(Oral)	The Secretary of the Treasury
2.	Interest Rates Paid and Charged by Government Lending Agencies	CP - 58-75/1 CP - 57-75	The Director, Bureau of the Budget
3.	Congressional Requests for Executive Papers	(Oral)	The Attorney General
4.	Specific Proposals for the Public Works Shelf	(Oral)	The Special Assistant for Public Works Planning
5.	The Status of Agricultural Legislation	(Oral)	The Secretary of Agriculture
6.	Residual Oil Imports -- Findings of the Cabinet Committee on Energy Supplies and Resources Policy	(Oral)	The Director, Office of Defense Mobilization

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-11-76

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MINUTES OF CABINET MEETING

March 14, 1958
9:00 A. M. -- 10:20 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. Herter
(for Sec. Dulles)
Sec. Anderson
Sec. McElroy
Mr. Rogers
Mr. Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
Mr. Gordon Gray
Dr. Saulnier

Under Sec. Labor O'Connell
Mr. Hoegh, FCDA
Mr. Stans

Dr. Killian, in part
Dr. Purcell, in part
Dr. Yorke, in part

Gov. Adams
Gen. Persons
Mr. Rabb
Gen. Goodpaster
Gov. Pyle
Mr. Warrington
Mrs. Wheaton
Mr. Larson
Dr. Hauge
Mr. Morgan
Mr. McCabe, in part
Mr. Siciliano
Gen. Bragdon
Mr. Pike
Col. Meek
Mr. Randall
Mr. Hagerty, in part
Mr. Martin, in part
Mr. McPhee
Mr. Patterson
Mr. Minnich

Federal - State Relations - Sec. Anderson noted the agreement reached on using the telephone excise tax as a vehicle for returning funds to the States to finance the programs being returned to the States. He indicated that this involved some problems, since the richer States would receive more than merited while the poorer States will receive slightly less, but that the Justice Department was endeavoring to develop some type of preferential action which would readjust the balance either immediately in respect to the telephone tax or indirectly through one or more grant programs.

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Sec. Anderson pointed out that the task force had agreed on endorsing the Durham bill concerning the FCDA and on a 50% sharing of urban renewal financing. With respect to education, he stated that a proposal would be advanced at the next Governors Conference that each State survey its problems. He stated that no action had been taken on such other items as forestry grants, migratory labor, etc.

Mr. Anderson noted that one Democratic Governor had endeavored to turn the meeting toward criticism of the Administration's handling of the national economic situation but that the outcome was a resolution commending the Administration for accelerating programs and also urging the States to review their policies.

The President noted a suggestion for holding another Washington Governors Conference on problems in general, and he asked Mr. Anderson to comment on it at some convenient time.

The President inquired about the possibility of providing financial resources to the States through some adjustment of the Federal income tax. Sec. Anderson pointed out that the Administration had been avoiding any direct refund of taxes collected and that it would not be feasible merely to reduce the rate by some specified amount such as one percent since some States did not have their own income tax. He stated that the Governors seemed most interested in revision of the estate tax.

Interest Rate on Government Loans (CP 57-75 and CP 58-75/1) - Mr. Brundage reported the outcome of the review made on this proposal during recent months and offered three changes: (1) to exempt certain specific rather than all foreign loans; (2) to exempt reclamation projects since no interest is charged on Corps of Engineers projects; and (3) to establish a ceiling of 6% as a form of reassurance.

Mr. Brundage noted Treasury's desire to oppose any exemption as a matter of principle even though the above appeared as a reasonable solution for the several agency interests.

Regarding interest rates on guaranteed or insured loans, Mr. Brundage stated that the economy would be helped by getting rid of present restrictions. He believed the pending Congressional action inadequate for the job and he cited the desirability of having the broader legislation even though Congress acts on certain specifics.

The President believed that foreign loans should be governed by necessities such as those that have to be met when the nation is fighting a war. Mr. Anderson believed the newly recommended language would cover the

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matter. Sec. Herter questioned whether the recommended language meant that the President would have to make an exception in each individual case, and subsequently Messrs. Anderson, Brundage and Herter agreed that the President could make a "blanket" determination to exempt. The President was not much concerned with this aspect since he invariably had to sign many papers on each large loan anyway.

Sec. Anderson hoped that the word "consultation" with regard to setting certain interest rates would be taken seriously since an impossible situation would develop if every agency involved began to compete with the Treasury rate. The President quickly concurred and suggested that the language be changed so as to require the approval of the Secretary of the Treasury. Mr. Brundage stated that the Congressional Committees -- jealous of the powers of their particular agencies -- would find that unacceptable. The President just did not believe that agency heads should have independent power in this respect and he agreed that the question should be brought to the President for decision when a difference developed between an agency head and the Secretary of the Treasury.

Sec. McElroy thought his Department's non-profit contracts with universities would be complicated by the legislation unless the President might exempt them. Also, regarding Defense progress payments, he thought the letter of transmittal should make clear that such payments were not covered by the proposal since the payments were construed as advances rather than loans.

Mr. Brundage stressed Sen. Fulbright's desire to know the Administration's position on the bill presently being considered in Congress. However, it was agreed that the Administration was not prepared at this time to make new recommendations to the Congress and would need to await further developments in the economic situation before going ahead.

Availability of Government Documents - The Attorney General, in commenting on his recent testimony on this subject, stressed that the Chief Executive's right to release or withhold documents is a basic constitutional one rather than the product of any particular statute. He asserted that the policy on this has been clear since the time of President Washington, basically because the Executive Branch has to be able to operate effectively. He cited the following as items that need not be released: unsupported derogatory allegations, information received in confidence, and information involved in the settlement of cases.

He felt that the Administration need never be on the defensive in this respect. He offered to make available his full statement on the subject and he also referred to the President's letter to Sec. Wilson in

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May, 1954. He stated that he or Mr. Wilkie in his office would stand ready to advise on any specific questions that developed.

The President referred to the thorny question of what constitutes public records which must not be destroyed and inquired as to the relationship of such to legitimate demands of the Congress. Mr. Rogers stated that the main problem here was one of public officials taking records with them on leaving office. The President ascertained that Presidential papers differed from the papers of Cabinet members generally, and Mr. Rogers confirmed that the President's right to keep his papers after leaving office has been controlling since Washington's time.

The President believed that the proper posture of Administration officials was to be polite but firm whenever confronted with a request from Congress that could not properly be fulfilled.

Public Works - General Bragdon presented very tentatively a "feasibility plan" for public works which included activities of 38 agencies without overloading any one agency. He stressed the amounts of time that would be required to get these projects fully under way and to reach completion, the man hours of employment that would result from the projects, and the relative amounts of Federal, State, and private money involved in various types of projects. He noted that HEW programs involved greater proportions of non-Federal money than other programs but take longer to get started.

Gen. Bragdon also presented various combinations of projects extending over different periods of time and involving varying amounts of Federal money and new legislation. He made clear that this presentation was merely to inform the Cabinet of the various lines of action possible should the need arise.

The President suggested that Gen. Bragdon prepare for an early Cabinet a package of specifically named select projects which could be examined as a package in the light of timing, funding, and anticipated effects, and which could also be compared with other lines of action such as tax revision, etc.

Sec. McElroy questioned whether an easy flow of labor would occur from manufacturing activities to construction or whether a public works program would merely create new pressures on construction prices. Sec. Mitchell noted in reply the amount of construction workers unemployed, the possibility of transfer to some types of construction such as highways, and the impossibility of transfer in any short period to other types. Gen. Bragdon asserted the existence of many people having construction skills but not presently in the construction industry. He stated also that many construction skills were relatively easy to learn. Sec. Mitchell thought the primary consideration was the duration of these projects.

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Gen. Bragdon noted particularly the attractiveness of a forest program.

Sec. Weeks noted that planned expansion for 1958 was expected to remain higher than in 1955, although somewhat below 1956 and 1957. The President commented ironically on expectations of peak performance at all times.

Agricultural Legislation - Sec. Benson expressed his disappointment with the Senate action freezing price supports and the lack of action on most of the items recommended by the Administration. He thought there was some possibility that the House would defeat the freeze bill which he regarded as a political effort to draw a veto from the President particularly since it runs contrary to every known fact.

Residual Oil Imports - Director Gray reported the existence of continuing pressures for a certification by ODM that exports of residual fuel oils would endanger the national security. He stated that his agency had kept the matter under constant review with the Committee on Energy Resources and concluded during the past week that such a certification could not be justified. He reported a move in Congress to force the Secretary of Commerce to impose a formula for limiting such imports.

The President ascertained from Sec. Weeks that the Subcommittee on Oil Imports would soon complete its study.

* * * *

The President concluded the regular meeting by inviting Cabinet members to stay on for a briefing similar to the one given recently at NSC on a Civilian Space Program.

Civilian Space Program - Dr. Killian, assisted by Dr. Purcell and Dr. Yorke, presented in this briefing much of the material in the paper subsequently released, "Introduction to Outer Space". Additionally, it was indicated that the category "early" meant perhaps 2 years, "later" meant 2 to 5 years, and "still later" meant 5 to 15 years. This timing was based on the availability of various missiles under development which would provide the thrust needed for pay loads of various weights and types. The costs of a sample space program were outlined, involving annual expenditures ranging from $300 million in FY 1959 to $625 million in FY 1965. By cutting the number of experimental flights in half, many of the projects could be accomplished for about $1-1/2 billion. Dr. Killian also indicated that the Science Advisory Committee, working with the President's Advisory Committee on Government Organization and the Bureau of the Budget, had recommended to the President the use of the NACA as the nucleus for a civilian space agency.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

L. A. Minnich, Jr.

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THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, March 14, 1958:

1. Report on the Nashville Meeting of the Joint Federal-State Action Committee

ACTION:

The Cabinet noted the report by the Secretary of the Treasury as Chairman of the Committee and noted his statement of the efforts which will be made to find a feasible answer to the problem of unequal burdens on the States.

2. Interest Rates Paid and Charged by Government Lending Agencies — CP - 58-75/1 (CP - 57-75)

ACTION:

a) The President emphasized the need, in any legislation of the type proposed in these papers, for having full authority to exempt from minimum interest charges loans made in furtherance of the foreign policy of the United States. (Such exemptions might be made by him either in blanket or in individual form.)

b) With respect to the first substantive paragraph of Annex B of CP - 58-75/1, the President indicated his preference that interest rates on loans should not be finally set by the lending agencies if objected to by the Secretary of the Treasury, but since this preference is not feasible to specify in this legislation, the President agreed that the words "after consultation with" shall be interpreted to mean not merely "notification" but full discussion and negotiation, with any resulting issues or differences to be brought to the President for decision.

c) With the above understandings, the President indicated his general approval of CP - 58-75/1 (excluding its "Implementation" paragraph) and of the two draft bills in its annexes.

d) It was agreed, however, that these amendments to the pending legislation should not be introduced at this time, nor should the Administration at present urge this legislation. It was suggested that any inquiries as to the Administration's position on this matter be answered by pointing out that the state of the economy is too uncertain to allow the Administration to make any specific proposal at this time.

CABINET PAPER

For Action

3. Congressional Requests for Executive Papers

ACTION:

a) The Cabinet noted the remarks of the Attorney General on this subject, including his emphasis that:

i) It is the policy of this Administration to furnish all possible information to the Congress, withholding only that required in the public interest, and this Administration has an excellent record in this regard.

ii) The papers of the Executive Branch are under the control of the Executive Branch.

iii) It is up to the President to decide whether the withholding of any of these papers will serve the public interest.

iv) The above powers inhere in the Executive as a direct corollary of the separation of powers, and are not necessarily based on any statute.

b) It was mentioned that two documents are available for guidance on this general subject: the President's letter (and its attachment) of May 17, 1954 to the Secretary of Defense, and the Attorney General's testimony of March 6, 1958 before the Subcommittee on Constitutional Rights of the Senate Judiciary Committee.

c) Cabinet members having any questions on specific cases in this area are invited to get in touch with Assistant Attorney General Malcolm R. Wilkey.

4. Specific Proposals for the Public Works Shelf

ACTION:

The President requested the Special Assistant for Public Works Planning to present for examination at an early Cabinet meeting a "package" of potential, individually identified public works programs and projects made up generally in accordance with the following criteria:

a) Capable of speedy initiation (e.g., within 3 months, or 6 months)

b) Capable of early (15-18 month) completion, or of suspension without undue economic harm

c) Capable of promptly absorbing the maximum portion of existing unemployment (consideration being given here to the transferability of -- or the ease of requiring -- the requisite skills.

In addition, for each program or project listed in the "package", information should be given showing the federal cost, the local cost and the total cost.

5. The Status of Agricultural Legislation

Information Item Only

6. Residual Oil Imports -- Findings of the Cabinet Committee on Energy supplies and Resources Policy

ACTION:

a) The Cabinet noted without objection the report by the Director of the Office of Defense Mobilization of his decision (upon advice of the Cabinet Committee on Energy Supplies and Resources Policy) not at this time to certify imports of residual fuel oil as threatening to impair the national security.

b) The President emphasized the importance of Item 5(c) of RA - 58-98.

ADDITIONAL ITEMS:

A. Post-Cabinet Briefing on U.S. Objectives in Space Exploration and Science

ACTION:

Pursuant to the suggestion of the President, this briefing was presented to the Cabinet and was noted with great interest by the Members.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

March 13, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: The Cabinet Agenda for March 14

We have listed the following items for the Cabinet agenda for Friday (we expect them to go in somewhat staccato fashion so that the meeting will be over by 10:15 for the special briefing shown below):

1. Report on the Nashville Meeting of the Joint Federal-State Action Committee (Secretary Anderson)

Secretary Anderson and his colleagues went down to Nashville at the beginning of this week for one of the periodic meetings of the Joint Federal-State Action Committee. This meeting may have opened up a new, second phase in the work of the Committee -- the first phase having been completed with the publication of Progress Report No. 1 in December 1957. We have new approaches we were trying out in Nashville, and Secretary Anderson will briefly report on the results of this meeting to you and the Cabinet.

(PRESENTATION TIME: 10 minutes)

2. Interest Rates Paid and Charged by Government Lending Agencies (Mr. Brundage)

Cabinet Paper 57-75, submitted by the Bureau of the Budget, was brought up at Cabinet on January 3 and deferred for two months. Last week Mr. Brundage asked that this paper, supplemented by some revisions and new draft legislation, be rescheduled this week. He feels that the recommendations in the paper are fundamentally anti-recessionary and that it is time to consider them seriously.

(PRESENTATION TIME: 10 minutes)

3. **Congressional Requests for Executive Papers** (Attorney General Rogers)

Attorney General Rogers has been testifying on the Hill in opposition to legislation which would seriously interfere with the government's right to keep certain matters privileged within the Executive Branch. The Attorney General has run into some cross-fire on this subject up on the Hill. In view of the wide application of this problem around the Cabinet table, Attorney General Rogers will be prepared to discuss the issues involved before you and the Cabinet.

(PRESENTATION TIME: 10 minutes)

4. **Specific Proposals for the Public Works Shelf** (General Bragdon)

This item is not to urge that action be taken at this time to approve any additional public works. The purpose, however, is to give you and the Cabinet a highly specific picture -- in terms of individual projects and in terms of their effective impact-time -- of what is actually now on our public works shelf. So many officials are talking now, either critically or approvingly about "public works" that some explanation as to just what the Administration means by these words is quite necessary. At least twice recently, you have publicly referred to a "shelf" of public works proposals which the Administration has under consideration to bring forth if needed. In your letter of March 8 to Messrs. Knowland and Martin, you said: "... it should be understood that other programs and measures are under study and, as circumstances may require, will be administratively set in motion or proposed to the Congress."

(PRESENTATION TIME: 15 minutes)

5. **The Status of Agricultural Legislation** (Secretary Benson)

In an ad hoc talk last week, Secretary Benson gave you and the Cabinet a very cogent picture of the immediate and rather serious situation on the Hill involving several highly undesirable agricultural bills. This same situation is still with us this week, and Secretary Benson would again like to take 2 or 3 minutes to inform you and the Cabinet of the crucial issues involved and the votes pending.

(PRESENTATION TIME: 5 minutes)

6. Residual Oil Imports -- Findings of the Cabinet Committee on Energy Supplies and Resources Policy (Mr. Gray)

The Cabinet Committee on Energy Supplies and Resources Policy held a meeting Wednesday morning concerning the question of whether the imports of residual fuel oil threaten the national security under the formula laid down in the Cabinet Committee Report of 1955. The Committee has come to the conclusion that these imports do not threaten the national security; Mr. Gray is prepared to report this briefly to you and the Cabinet since it is a matter of such general interest.

(PRESENTATION TIME: 2 minutes)

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Post-Cabinet Briefing

U. S. Objectives in Space Exploration and Science (Dr. Killian)

At the Cabinet meeting of February 7, Dr. Killian undertook to make an analysis of the "possible and feasible program objectives in outer space research and exploration" and to present his analysis to the Cabinet. While the action portion of this presentation was apparently made to the NSC last Thursday, Dr. Killian and General Cutler are fully convinced that the Cabinet also should have the benefit of this presentation -- after the regular Cabinet session this coming Friday. Accordingly, arrangements have been made for Dr. Killian and his staff to present this -- a one-hour briefing immediately following the adjourning of Cabinet -- estimated for 10:15 AM. Since you have seen it before, you need not attend.

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

STATEMENT ON ACCELERATED PUBLICS WORKS AND COMMUNITY DEVELOPMENT

The Joint Federal-State Action Committee, meeting in Nashville, Tennessee, March 10-11, 1958, endorses actions already taken by federal, state and local governments to accelerate programs needed for the development of the country which will provide new stimulus for job opportunities as well as community betterment.

In furtherance of this end, the Committee commends those states that have taken leadership in accelerating needed public works programs and urges that other states take similar actions, where feasible, by moving forward to 1958 projects scheduled for 1959, and to early 1958 projects scheduled for late 1958. In this way, substantial progress is being made in reducing the nationwide backlog of essential public works, such as hospitals, schools, highways, in a year when men, money, and materials are more readily available.

The Committee further commends those federal agencies administering grant-in-aid and other federal-state programs which are giving special attention to ways and means of encouraging and assisting states and communities in this accelerated effort to advance construction of needed public works.

The Committee also recommends that the states encourage and assist their counties, cities, towns, townships and school districts similarly to accelerate the construction of locally-required public works projects.

The Committee directs its joint staffs to prepare a report for its next meeting reviewing the public works measures taken in the states and by the federal government which will help to provide employment and increased economic activity. The report should indicate the results achieved and should include recommendations for any further action by state and federal governments.

March 11, 1958

(2)

Brundage's

~~Draft~~ - 3-7-58

Opening Statement for Cabinet Discussion on Interest Rates Paid and Charged on Direct Loans

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Mr. President:

On January 3, 1958, the Cabinet discussed a Cabinet paper recommending changes in the administration's proposed legislation governing interest rates paid and charged on direct loans by Government lending agencies. No decision was reached at that meeting and further discussion was postponed for 60 days. The Bureau of the Budget has reviewed the ~~problems~~ objections raised, and the new Cabinet paper incorporates three additional changes in the legislation:

1. Foreign loans. It permits exemption of certain foreign loans, with approval of the President. As redrafted, either individual loans, or all loans made under the Mutual Security Act or under Public Law 480, can be exempted from the interest requirements. The State Department has advised us that it would prefer a statutory exemption of all foreign loans from the legislation. As indicated in the earlier Cabinet paper, we believe that the basic principles behind the legislation apply to foreign loans. To propose an exemption for all foreign loans would inevitably lead the Congress to exempt at least some domestic loans, including probably those which need raising most urgently, such as loans by the Rural Electrification Administration and for college housing.

2. Irrigation investments. In light of the Cabinet discussion and a request by the Interior Department, reimbursable Federal investments in public works are exempted.

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3. Maximum rate. Primarily to meet congressional fears that the legislation would lead to unduly high rates, and to make it more acceptable, the new bill sets a 6 percent ceiling on interest rates charged by Federal agencies. No agency now charges more than 6 percent, so that the change does not involve a reduction of rates.

We are including the first two of these changes, with considerable reluctance, as practical solutions to the problems posed in these two areas. Treasury is opposed to ~~[illegible]~~ exemptions which will make it more difficult to pass Congress without further amendment. The Bureau of the Budget would strongly oppose any further exemptions, since they would encourage the Congress to water down the legislation even more. We would end up with a bill which no longer carries out the President's proposal for a consistent interest policy uniformly applied to all lending programs. One alternative would be to make no specific exemptions but authorize the President to make exemptions "in the public interest."

In conclusion, the changes in the bill proposed in the original Cabinet paper and the present supplement will make it possible to give more specific answers to requests which the various lending agencies and the Bureau of the Budget have received from the Senate Banking and Currency Committee as well as to those in a recent letter from the House Ways and Means Committee. In view of the considerable lapse of time since last June when the original administration bill was introduced, we hope that decisions can be reached today on all important remaining changes in the bill.

Interest rates charged on guaranteed and insured loans

In addition to proposing legislation to authorize a more consistent policy governing interest rates on direct loans, you have also recommended that authority be provided to permit interest rates on Government-guaranteed loans high enough to attract private lenders. Specifically--as stated in the Budget Message, authority should be provided to vary the rates for

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guaranteed or insured loans in line with market conditions and under proper safeguards."

Draft legislation for this purpose has been prepared by the Treasury Department and subsequently reviewed by all interested agencies. Attachment "B" in the material supplied to the Cabinet represents a revised draft of this legislation, which in our opinion takes care of all the major problems raised by the various agencies affected. In the meantime, HHFA and VA have been authorized to support legislation providing for specific increases in the maximum rates charged on certain FHA insurance and VA guaranty programs where the rates are now below levels attractive to private lenders. ~~Since these include the changes most needed, there is less urgency for the general bill. It might, therefore, be better to defer sending it up to the Hill until the Congress takes action on the specific increases. However,~~ Whether or not the Congress grants the changes in specific ceilings most immediately required, the broader general authority would still ~~appear~~ be useful, since it would (a) provide continuing flexibility, (b) mobilize all agencies behind a common proposal and (c) permit a more uniform governmentwide policy. Accordingly, ~~unless new problems arise,~~ I recommend that this legislation be transmitted to the Congress for its consideration.

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CP - 58-75/1

March 11, 1958

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THE CABINET

Interest Rates Paid and Charged by Government Lending Agencies - Revised Recommendations and Draft Legislation

and

Interest Rates Charged on Guaranteed and Insured Loans - Draft Legislation

For consideration by the Cabinet, attached is a two-part paper on the above subjects, prepared by the Director of the Bureau of the Budget.

The first part of this paper is a supplement to CP - 57-75 which was considered by the Cabinet on January 3, 1958 (RA - 58-92, Item 2) and deferred for two months. This supplement supersedes and replaces the Recommendations, Implementation and Concurrences Sections of CP - 57-75 as well as its Tab B. CP - 57-75 should be considered henceforth only as additional, pertinent background discussion. Annex A to this new supplementary paper is the revised legislation being proposed for policy approval, and relates to direct Federal loan programs. Certain dissents are outlined with respect to this proposal.

The second part of this paper is its Annex B - a draft bill concerning a different but closely related subject: interest rates on loans guaranteed or insured by the Federal Government. There is believed to be no substantive Executive Branch dissent to this bill, and it is also being proposed for policy approval.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

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THE CABINET

Interest Rates Paid and Charged by Government Lending Agencies

Problem: What further changes, if any, should be made in the administration's proposed legislation governing interest rates paid and charged by Government lending agencies?

Discussion: Cabinet Paper 57-75 discusses changes that have been suggested by the agencies in the administration's proposed legislation on interest rates (S. 2427 and H. R. 8714). In light of the Cabinet discussion of January 3, 1958, the attached draft bill incorporates three additional changes in the legislation:

(1) It authorizes lower interest rates, with approval of the President, for loans under the Mutual Security Act of 1954 as amended, or under the Agricultural Trade Development and Assistance Act of 1954 as amended, when essential in the conduct of our foreign relations. (The State Department would prefer complete exemption of all foreign loans.)

(2) Loans made in connection with U. S. investments in public works are exempted. This reflects the request by the Interior Department to exempt irrigation investments.

(3) It sets a 6 percent ceiling on interest rates charged by Federal agencies. No agency now charges more than 6 percent. A specific 6 percent ceiling would reduce fears of unreasonably high interest rates, particularly on small business loans.

Recommendations (as revised):

1. That the President approve amendments (a) clarifying the scope of the legislation, (b) requiring Presidential approval of any interest rate below full cost, (c) exempting irrigation loans and some foreign loans, and (d) setting a ceiling of 6 percent on interest charged.

2. That the President disapprove any other exemption from the legislation for lending programs using Government funds. (Proposed language attached as Annex A).

Implementation: If the President approves these recommendations, the Bureau of the Budget will transmit to the Senate committee and to the sponsors of the legislation the proposed modifications, and will request all executive agencies with lending programs to reflect these decisions in their reports to the committee. The policies will also be followed in clearance of pending and future legislation dealing with lending programs.

Concurrences: The Chairman of the Council of Economic Advisers; The Secretary of the Treasury, except for the proposed exemptions of irrigation and foreign loans; The Secretary of the Interior concerning irrigation investments

Attachment: Draft of legislation with proposed amendments (Annex A)

CABINET PAPER

For Consideration

CP - 58-75/1

ANNEX A

REVISED DRAFT PROPOSED BY BUREAU OF THE BUDGET

A BILL

To insure greater consistency among Federal loan programs, to avoid hidden subsidies, and to achieve more effective coordination between Federal loan programs and the fiscal and credit policies of the Federal Government.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law

(a) the interest rate on any loan hereafter made by the Treasury to any department or agency of the Federal Government to finance loans made by such department or agency shall be fixed by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the loans made by the department or agency, and

Re-vised sub-section

(b) the interest rate on any loan hereafter made by any department or agency shall not be less than the rate the department or agency making the loan would pay if it borrowed from the Treasury at the time the interest rate on the loan is fixed, plus additional amounts deemed adequate to cover administrative expenses and probable losses, but not to exceed a maximum interest rate of 6 percent: Provided, That such additional amounts may be omitted, with the approval of the President, to the extent that their inclusion is deemed inconsistent with the purposes of the loan program: Provided further, That the requirements in this subsection may be waived by the President for loans under the Mutual Security Act of 1954 as amended, or under the Agricultural Trade Development and Assistance Act of 1954 as amended, upon determination by him that a lower rate is essential in the conduct of our foreign relations. [1]

New Section

Sec. 2. (a) As used in this Act, "departments or agencies of the Federal Government" shall include any Government agency, excluding any trust fund administered by any Government agency, during any period when such agency (1) has outstanding obligations guaranteed in the whole or in part by the United State, or (2) is using Government funds either in the form of appropriations, borrowings, subscriptions to capital stock, or otherwise.

(b) As used in this Act, "loans" shall include all loans and advances, including sales credit (except open book or trade credit), mortgage purchases, and the extension of any other type of credit: Provided, That no interest shall be payable on any loan, or portion thereof, if repayment of the principal, or portion thereof, has been waived; and that upon any termination of such waiver interest shall be payable from the date of the loan: Provided further, That this Act shall not apply to reimbursable investments by any department or agency of the Federal Government in public works where the legislation does not specifically require interest to be charged.

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[1] The State Department would substitute statutory exemption of all foreign loans for the last proviso.

CP - 58-75/1

ANNEX B

REVISED DRAFT PROPOSED BY BUREAU OF THE BUDGET

A BILL

To encourage the most effective use of private credit under Federal loan guaranty and insurance program.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law the maximum interest rate on loans guaranteed or insured by any department or agency of the Federal Government shall be fixed by the head of each such department or agency, after consultation with the Secretary of the Treasury, at a level deemed encessary to encourage participation by private lenders consistent with the purposes of the loan guaranty or insurance program.

Sec. 2. (a) As used in this Act, "department or agency of the Federal Government" shall include any Government agency, excluding any trust fund administered by an Government agency, during any period when such agency (1) has outstanding obligations guaranteed in whole or in part by the United States, or (2) is using Government funds either in the form of appropriations, borrowings, subscriptions to capital stock, or otherwise.

(b) As used in this Act, "loans guaranteed or insured" shall include all loans and advances, except direct loans and advances made by departments or agencies of the Federal Government, which are partially or wholly guaranteed or insured by any department or agency of the Federal Government.

CP - 58-75/2

March 22, 1958

THE CABINET

Interest Rates Paid and Charged by Government Lending Agencies

and

Interest Rates Charged on Guaranteed and Insured Loans

The attached approved paper is circulated for the information of each Cabinet Department and affected Agency. This paper and its approved recommendations reflect the action taken by the President at the Cabinet meeting of March 14, 1958 (RA - 58-99, Item 2).

Before any steps are taken by any Department or Agency to implement this paper or to answer correspondence relating to this subject, reference should be made to subparagraph (d) of Item 2 of RA - 58-99.

There are also attached a revised draft bill incorporating the approved recommendations, together with, for background purposes, the original Cabinet paper submitted by the Bureau of the Budget (CP - 57-75) and the letter by the Director of the Bureau of the Budget of June 3, 1957, transmitting the original draft legislation (Attachments A, B, and C).

There is further attached a draft bill on interest rates charged on guaranteed and insured loans, which has the general approval of the President (Attachment D).

With respect to attachment D of this paper, the words "after consultation with" in the first substantive paragraph are to be interpreted pursuant to the President's suggestion in subparagraph (b) of RA - 58-99.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 58-75/2

March 22, 1958

THE CABINET

Interest Rates Paid and Charged by Government Lending Agencies

Problem: What changes, if any, should be made in the administration's proposed legislation governing interest rates paid and charged by Government lending agencies?

Discussion: Legislation sponsored by the administration (S. 2427 and H. R. 8714) would require all Government lending agencies (a) to pay interest for funds borrowed from the Treasury at rates equal to current market yields on Treasury securities with maturities comparable to maturities of the loans made by the lending agencies; and (b) to charge interest rates on loans at least equal to such market yields, plus, to the extent consistent with the purposes of such program, additional amounts adequate to cover administrative expenses and probable losses.

Lending agencies generally are willing to pay full Treasury borrowing costs. With respect to the requirements governing interest charged to their borrowers, however, some agencies either contend that the legislation does not apply to certain programs, or favor exemptions, on the ground that the application of even the minimum requirement would endanger major program objectives. In several other cases, they do not believe that increases above present rates adequate to cover all costs would be consistent with the purposes of the program.

The Bureau of the Budget believes that exemption of any program using Government funds would lead to exemption of others. It further believes that the individual lending agency should not be the sole judge of whether an interest rate covering full cost is necessary and desirable. Any exemptions would tend to defeat the basic purposes of the bill, which are to avoid hidden subsidies and provide a more consistent overall interest policy. If subsidies are necessary they can be best kept to the minimum by requiring explicit financing, preferably through direct appropriations. Some clarifying amendments, however, are needed to define more specifically the coverage of the bill and to authorize review by the President of any cases where full cost coverage seems unwarranted.

In light of the Cabinet discussions of January 3, 1958 and March 14, 1958, the revised draft bill (Attachment A) incorporates the following changes in the legislation:

(1) It clarifies the scope of the legislation.

(2) It requires Presidential approval of any interest rate below full cost.

(3) It authorizes lower interest rates, with approval of the President, for foreign loans.

(4) It exempts loans made in connection with U. S. investments in public works.

(5) It sets a 6 percent ceiling on interest rates charged by Federal agencies.

Recommendations: 1. That the President approve amendments (a) clarifying the scope of the legislation, (b) requiring Presidential approval of any interest rate below full cost, (c) exempting irrigation loans and, with approval of the President, foreign loans, and (d) setting a ceiling of 6 percent on interest charged.

2. That the President disapprove any other exemption from the legislation for lending programs using Government funds.

Attachments: A. Revised draft bill on Interest Rates Paid and Charged by Government Lending Agencies (as generally approved by the President).

B. Original Cabinet paper of December 12, 1957 (CP - 57-75).

C. Letter by the Director of the Bureau of the Budget of June 3, 1957, transmitting the original draft legislation.

CP - 58-75/2

ATTACHMENT A

REVISED DRAFT BILL ON INTEREST RATES PAID AND CHARGED BY GOVERNMENT LENDING AGENCIES

A BILL

To insure greater consistency among Federal loan programs, to avoid hidden subsidies, and to achieve more effective coordination between Federal loan programs and the fiscal and credit policies of the Federal Government.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law

(a) the interest rate on any loan hereafter made by the Treasury to any department or agency of the Federal Government to finance loans made by such department or agency shall be fixed by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the loans made by the department or agency, and

(b) the interest rate on any loan hereafter made by any department or agency shall not be less than the rate the department or agency making the loan would pay if it borrowed from the Treasury at the time the interest rate on the loan is fixed, plus additional amounts deemed adequate to cover administrative expenses and probable losses, but not to exceed a maximum interest rate of 6 percent: *Provided*, That such additional amounts may be omitted, with the approval of the President, to the extent that their inclusion is deemed inconsistent with the purposes of the loan program: *Provided further*, That the requirements in this subsection may be waived by the President for foreign loans upon determination by him that a lower rate is essential in furtherance of the foreign policy of the United States.

Sec. 2. (a) As used in this Act, "departments or agencies of the Federal Government" shall include any Government agency, excluding any trust fund administered by any Government agency, during any period when such agency (1) has outstanding obligations guaranteed in whole or in part by the United States, or (2) is using Government funds either in the form of appropriations, borrowings, subscriptions to capital stock, or otherwise.

(b) As used in this Act, "loans" shall include all loans and advances, including sales credit (except open book or trade credit), mortgage purchases, and the extension of any other type of credit: *Provided*, That no interest shall be payable on any loan, or portion thereof, if repayment of the principal, or portion thereof, has been waived; and that upon any termination of such waiver interest shall be payable from the date of the loan: *Provided further*, That this Act shall not apply to reimbursable investments by any department or agency of the Federal Government in public works where the legislation does not specifically require interest to be charged.

ATTACHMENT B

THE WHITE HOUSE

WASHINGTON

THE CABINET

Interest Rates Paid and Charged by Government Lending Agencies

Background: Over the last 30 years, and especially since the early 1930's the Federal Government has initiated a large number of lending programs to help meet a great variety of specific program requirements. Currently, 13 departments and independent agencies carry on one or more lending programs, either with Government funds or with trust funds administered by them.1/ Three of these (Agriculture, Interior, and the Housing and Home Finance Agency) administer over 25 separate lending programs.

The diverse origins and purposes of these programs have been reflected in a variety of statutory provisions governing interest rates paid and charged by these lending programs. In some cases statutory maximum rates have become obsolete and administrators cannot vary the rates charged, despite increased borrowing costs to the Government and corresponding increases in rates for the most nearly comparable private credit.

Recommendations of Hoover Commission: The Commission on Organization of the Executive Branch of the Government in March 1955 pointed out the considerable hidden subsidies existing in Government lending programs, and recommended:

> "That the Secretary of the Treasury be required to impose rates of interest on the agencies discussed in this report for Federal advances or contributions equal to the going rate of interest paid by the Treasury on its obligations of comparable maturity."
>
> "That all lending and guaranteeing agencies charge such fees to their borrowers as will permit them to reimburse the Treasury for the cost of money advanced to them and cover their own administrative expenses."

Administration Policies and Proposals: Wherever statutory limitations have permitted, the Treasury Department under this administration has required lending agencies which finance their operations by borrowing from it to pay interest at a rate in line with market rates on Treasury securities of comparable maturities. Similarly, lending agencies have been encouraged to reflect variations in underlying costs in the interest rates charged to their borrowers whenever such a policy was permitted under the statute and consistent with maintenance of an effective program.

In his FY 1958 Budget Message, the President stated:

> "Various agencies are being asked to review with the Congress the interest rates charged by the Government in connection with different kinds of loans, several of which have a fixed statutory maximum established when interest costs were much lower than today. It is desirable that there be more consistency and that more discretion be allowed in determining what going rates should be, dependent on the period of the loans and their conditions."

1/ Agriculture, Commerce, Export-Import Bank, FCA, FHLBB, GSA, HHFA, Interior, Labor, SBA, State, Treasury and VA.

The Cabinet, in its meeting of March 11, 1957, agreed that the Director of the Budget should prepare draft legislation "which will specify that all future Government loans will be at an interest rate at least equal to the current long term interest rate at which the Treasury must borrow" (RA-57-69, Item A).

In the President's letter of April 18, 1957, (CP-57-63/1) to the Speaker of the House of Representatives, proposing steps to improve the Federal budgetary situation, he recommended legislation to "establish interest rates for Government programs that will induce private funds to participate in their financing and, at the least, require that such rates cover the borrowing costs of the Federal Government."

Legislation to carry out this recommendation, drafted by the Treasury Department and the Bureau of the Budget, was submitted to the Congress on June 3, 1957. (Transmittal letter from Director of the Bureau of the Budget attached as Tab A.) This bill (S. 2427 and H. R. 8714) requires each lending agency to pay interest on any future borrowing from the Treasury at a rate fixed by the Secretary of the Treasury, taking into consideration the current market rates of interest on Treasury obligations with maturities comparable to those of the loans made by the lending agency. It further requires each lending agency to charge interest on any future loans equal to at least the rate fixed by the Secretary of the Treasury, together with additional amounts sufficient to defray administrative expenses and probable losses to the extent that such additional charges are consistent with the purposes of the loan program.

Impact of Legislation: The Senate Banking and Currency Committee has requested the major lending agencies and the Bureau of the Budget to provide detailed information on the changes in interest rates which will result from enactment of the proposed legislation, as well as other related information. The proposed replies indicate the need for clarification of the coverage of the legislation, since some divergence is apparent among the agencies concerning its applicability to their programs.

Most lending agencies which borrow from the Treasury now pay interest on such borrowings at rates consistent with the proposed requirements. Increases would be required for the Rural Electrification Administration and the Farmers Home Administration (in Agriculture) and the college housing loan program (in HHFA). These departments support the proposed requirements.

With respect to the requirements governing interest rates charged by lending agencies, the majority of programs, including most of the larger ones, already conform to at least the minimum requirements, or are willing to make the necessary adjustments. However, eight agencies 1/ have asked for partial or complete exemptions for one or more programs. In several other cases, lending agencies 2/ expressed the view that increases in interest rates adequate to cover all costs would be inconsistent with the purposes of the specific loan programs involved.

Policy Issues: The arguments advanced for the proposed exemptions from the minimum standard are summarized and discussed below:

1. The Federal Home Loan Bank Board and the Farm Credit

1/ Commerce, FCA, FHLBB, HHFA, Interior, Labor, State and VA
2/ Agriculture, HHFA, SBA and State.

Administration contend that the bill does not or should not apply to their lending agencies, since they do not currently borrow from the Federal Government or with the aid of Government guaranties.

> Comments--The Federal Government has a substantial capital investment in the Banks for Cooperatives and the Federal Intermediate Credit Banks (supervised by FCA). Moreover, the Federal Home Loan Banks and the Federal Farm Mortgage Corporation have authority to borrow from the Treasury; if and when they do borrow, they should become subject to the Act. The Bureau of the Budget, accordingly, recommends that the bill be amended to make it clear that the requirements apply to any Government agency currently using Federal funds.

2. Labor, VA and Commerce request exemptions for loans from trust funds administered by them. Labor states that to require interest on advances from the Federal unemployment account to the State funds might conflict with State constitutional restrictions on borrowing. VA contends that the holder of a veterans life insurance policy is entitled by contract to borrow without having administrative costs included in the interest rate charged. Commerce believes that the requirement of interest on advances from the Highway Trust Fund to the States would reduce State funds available for construction and pose serious administrative difficulties.

Treasury points out that interest rates on investments by trust funds in about $45 billion of special issues of U.S. Government obligations might ultimately be subject to the interest requirements of the bill. While not necessarily opposed to establishing a comparable statutory policy governing interest rates on such investments, the Department proposes that such investments be specifically exempt at this time from the legislation.

> Comments--The monies invested and loaned by trust funds are not owned by the Federal Government, but are administered by Federal agencies on behalf of the beneficiaries of these funds. Moreover, the application of the specific standard contained in the pending legislation would involve special problems not common to other lending programs. At present interest rates, these requirements could cause a very substantial increase in budget expenditures for interest on special issues. For these logical and practical reasons, the Bureau of the Budget believes that interest requirements governing trust funds should be specifically excluded from this legislation, without prejudice to future revisions in legislation and administrative policy.

3. Interior opposes any requirement of interest charges on irrigation investments and loans made by the Federal Government for the benefit of users of Federal projects. It points out that this would be a drastic change from longstanding law and policy specifically authorizing interest-free investments and loans. However, such a change would have "elements of merit" as part of a consistent policy governing all programs where repayment of investment with interest is customary, such as power and municipal or industrial water supply.

> Comments -- The present policy waiving interest on principal repayable over a 40- or 50- year period in effect remits at least half the total Federal cost. Thus it involves major hidden subsidies. To avoid disrupting this program by application of the general interest standards, it might be necessary to provide aids of another type. The

Bureau of the Budget believes that this approach would contribute to sounder overall fiscal policy, and recommends, therefore, that the proposed exemption be disapproved.

4. The State Department contends that the interest requirements should not apply to loans under the Mutual Security Act and under Public Law 480 (i.e., with foreign currencies generated by the sale of agricultural surplus commodities). Such loans are now designed to encourage maximum repayment consistent with foreign policy objectives and rigid interest requirements might require extension of compensating benefits. Flexibility is necessary, State believes, in order to serve our foreign policy interests.

Comments -- The major purposes of the legislation, i.e., avoidance of hidden subsidies, improved coordination, and reduced reliance on the Federal Government, appear just as applicable to the general category of foreign loans as to any program of domestic loans. Interest rates currently charged on loans under Public Law 480 conform to the minimum standards of the proposed bill. Accordingly, the Bureau of the Budget recommends against any exception for foreign loans.

5. The agencies generally agree that credit obligations arising from sales of Government property should be subject to the interest requirements in the proposed legislation. Interior, however, wishes to preserve the present 2 percent interest rate on bonds given by the Territory of Alaska and Alaskan communities for the repayable portion of community facilities sold to them. This lower rate is said to be necessary to offset the abnormally high construction costs and scarcity of private capital in Alaska.

Comments -- The Bureau of the Budget recommends that the legislation be amended to make it clearly applicable to sales credit, except for open book or trade credit. The 50 percent grant provided for Alaskan community facilities appears to be ample to meet any special requirements for Federal assistance.

6. Several agencies advance funds with repayment depending upon a specific contingency. In three such programs, where no interest is currently charged, the agencies believe that exemption from interest requirements is essential to the effectiveness of the programs. These include: a) advances by HHFA for preliminary public works planning (repayable if the specific project is constructed); b) advances by Interior for minerals exploration (with payback on successful projects); and c) advances by VA to disabled veterans undertaking vocational rehabilitation courses (with reimbursement from future benefits).

Comments -- In all three cases the key inducements to the beneficiaries are the provision of funds otherwise often unavailable and the contingent nature of the principal repayment, rather than the waiver of relatively minor interest payments. These inducements can be retained if interest payments are likewise required only if and when principal payments are due. This is consistent with the policy already followed on other types of HHFA planning advances, as well as on CCC price support loans. The Bureau of the Budget recommends a clarifying amendment along the above lines.

7. Interior contends that application of the interest requirements to Indian loans in some cases would retard the economic development of the Indians.

Comments -- The Bureau of the Budget recommends against any exemption for Indian loans, believing that direct subsidies in such cases are preferable is additional Federal aid is warranted.

* * *

In addition to the issues raised by the various proposed exemptions from the minimum standard, the reluctance of several lending agencies to provide for full-cost coverage makes it doubtful whether this standard will prove to be very effective in practice if such agencies are the sole judges of its application to the loan programs they administer. Many Government loan programs admittedly operate in marginal credit areas with relatively high costs and risks of loss. Interest rates based upon full costs could substantially reduce or even eliminate such programs. Nevertheless, the burden of proof should be on the individual agency to establish the necessity for rates less than full cost. The Bureau of the Budget, therefore, recommends that any exceptions to the full-cost recovery standard be subject to approval by the President.

Conclusions: In summary, the Bureau of the Budget recommends that all proposals for exemption of lending programs using Government funds be disapproved. Exemption of any one lending program will encourage the Congress to exempt others, and thus defeat the basic purpose of the bill. The Bureau further recommends that Presidential approval be required for any case in which a lending agency proposes to charge interest rates inadequate to cover the full costs of the loan program. The legislation previously submitted should also be amended to remove ambiguities and clarify its application to the various types of lending programs. (Draft of proposed revision attached as Tab B.)

The foregoing recommendations are generally consistent with the consensus of views expressed at the October 16, 1957, meeting of the Advisory Board for Economic Growth and Stability of the Council of Economic Advisers, except that State and CEA favor Presidential discretion in rare cases to set a rate of interest lower than Treasury borrowing costs for certain foreign loans.

CP - 58-75/2

ATTACHMENT C

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D.C.

June 3, 1957

My dear Mr. Speaker:

I have the honor to submit for the consideration of the Congress a proposed bill "To insure greater consistency among Federal loan programs, to avoid hidden subsidies, and to achieve more effective coordination between Federal loan programs and the fiscal and credit policies of the Federal Government."

The President in his letter to you of April 18, 1957, recommended as one of his proposed steps to improve the Federal budgetary situation, to "establish interest rates for Government loan programs that will induce private funds to participate in their financing and, at the least, require that such rates cover the borrowing costs of the Federal Government." This legislation is designed to carry out that recommendation.

The bill establishes two major policies applicable to all loan programs of the Federal Government. It requires each lending agency to pay interest on any future borrowing from the Treasury at a rate fixed by the Secretary of the Treasury, taking into consideration the current market rates of interest on Treasury obligations with maturities comparable to those of the loans made by the lending agency. It further requires each lending agency to charge interest on any future loans equal to at least the rate fixed by the Secretary of the Treasury, together with additional amounts sufficient to defray administrative expenses and probable losses to the extent that such additional charges are consistent with the purposes of the loan program. It will have no effect whatsoever on interest rates charged on outstanding loans or on interest rates paid to the Treasury on the funds necessary to finance these loans.

This legislation is necessary to modify the fixed statutory maximum interest rates on several lending programs established when interest costs were much lower than they are today. As the President pointed out in his message transmitting the 1958 budget, in order to obtain more consistency in the policies of Federal lending agencies, additional discretion is required over the interest rates charged. The proposed bill will provide the flexibility needed to permit the interest rates charged to reflect both the current costs of each lending program and the objectives it serves.

One of the basic purposes of the legislation is to assure that, insofar as consistent with the purposes of the lending programs, all of the costs involved shall be paid by the borrower who benefits from the loan. At present hidden subsidies exist in several programs. Removal or reduction of these subsidies will increase receipts of these programs and thus reduce their budgetary requirements. In addition, any increase in interest rates charged will encourage substitution of private financing and thus reduce Government expenditures. The most immediate effect on the budget will be from reduced disbursements on future loans. In later years, however, as more adequate interest is paid on a larger share of the outstanding loans, the major budget saving will accrue from this source.

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By requiring all lending agencies to cover at least the interest cost incurred by the Government, the proposed legislation will reduce Government competition with private lenders, wherever private lenders provide comparable loans on reasonable terms. When private financial institutions are not able to make the type of loans required, moreover, it is only reasonable that the borrower should pay for the full cost of the credit he receives to the maximum extent possible, rather than to place an unnecessary burden on the taxpayer.

Sincerely yours,

(Signed) Percival F. Brundage

Director

Honorable Sam Rayburn
Speaker of the House
of Representatives
Washington 25, D. C.

Enclosure

[Identical letter sent to the President of the Senate]

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CABINET PAPER—PRIVILEGED

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A BILL

To insure greater consistency among Federal loan programs, to avoid hidden subsidies, and to achieve more effective coordination between Federal loan programs and the fiscal and credit policies of the Federal Government.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law (1) the interest rate on any loan hereafter made by the Treasury to any department or agency of the Federal Government to finance loans made by such department or agency shall be fixed by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the loans made by the department or agency, and (2) the interest rate on any loan hereafter made by any department or agency shall not be less than the rate the department or agency making the loan would pay if it borrowed from the Treasury at the time the interest rate on the loan is fixed, plus an additional amount deemed adequate to cover administrative expenses and probable losses to the extent consistent with the purposes of the loan program.

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CABINET PAPER

For Action

CP - 58-75/2

ATTACHMENT D

DRAFT BILL ON INTEREST RATES CHARGED ON GUARANTEED AND INSURED LOANS

A BILL

To encourage the most effective use of private credit under Federal loan guaranty and insurance programs.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law the maximum interest rate on loans guaranteed or insured by any department or agency of the Federal Government shall be fixed by the head of each such department or agency, after consultation with the Secretary of the Treasury, at a level deemed necessary to encourage participation by private lenders consistent with the purposes of the loan guaranty or insurance program.

Sec. 2. (a) As used in this Act, "department or agency of the Federal Government" shall include any Government agency, excluding any trust fund administered by any Government agency during any period when such agency (1) has outstanding obligations guaranteed in whole or in part by the United States, or (2) is using Government funds either in the form of appropriations, borrowings, subscriptions to capital stock, or otherwise.

(b) As used in this Act, "loans guaranteed or insured" shall include all loans and advances, except direct loans and advances made by departments or agencies of the Federal Government, which are partially or wholly guaranteed or insured by any department or agency of the Federal Government.

CP - 57-75

December 12, 1957

THE CABINET

Interest Rates Paid and Charged by Government Lending Agencies

For consideration by the Cabinet, there is attached a paper prepared by the Bureau of the Budget.

A brief of the paper appears immediately following this cover-page.

This paper, and its recommendations, represent the joint views of the Bureau of the Budget, the Secretary of the Treasury and, except in one respect, the Chairman of the Council of Economic Advisers.

Attached to this paper as Tab A is the letter of last June from the Director of the Bureau of the Budget to the Speaker of the House transmitting the Administration's proposed legislation on this subject. Also attached, as Tab B, is the revision of this legislation now being proposed in the light of the interagency discussions summarized in this paper. Reference should also be made to Cabinet Paper 57-63/1.

A related legislative proposal, which would remove statutory controls over interest rates on private loans guaranteed, insured or underwritten by Federal agencies, is being reviewed by the major agencies concerned. If necessary, it will be submitted for Cabinet discussion as soon as possible.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED

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December 12, 1957

THE WHITE HOUSE
WASHINGTON

THE CABINET

Interest Rates Paid and Charged by Government Lending Agencies

BRIEF

Problem: What changes, if any, should be made in the administration's proposed legislation governing interest rates paid and charged by Government lending agencies?

Discussion: Legislation sponsored by the administration (S. 2427 and H. R. 8714) would require all Government lending agencies (a) to pay interest for funds borrowed from the Treasury at rates equal to current market yields on Treasury securities with maturities comparable to maturities of the loans made by the lending agencies; and (b) to charge interest rates on loans at least equal to such market yields, plus, to the extent consistent with the purposes of each program, additional amounts adequate to cover administrative expenses and probable losses. (Transmittal letter of June 3, 1957, from Director of the Bureau of the Budget attached as Tab A.) The Senate Banking and Currency Committee has requested information on the impact of this legislation on all loan programs.

Lending agencies generally are willing to pay full Treasury borrowing costs. In several programs, however, they either contend that the legislation is not applicable or favor exemptions from requirements governing interest charged to their borrowers, on the ground that the application of even the minimum requirement would endanger major program objectives. In several other cases, they do not believe that increases above present rates adequate to cover all costs would be consistent with the purposes of the program.

The Bureau of the Budget believes that exemption of any program using Government funds would lead to exemption of others. It further believes that the individual lending agency should not be the sole judge of whether an interest rate covering full cost is necessary and desirable. Any exemptions will tend to defeat the basic purposes of the bill, which are to avoid hidden subsidies and provide a more consistent overall loan policy. If subsidies are necessary they can be best kept to the minimum by requiring explicit financing, preferably through direct appropriations. Some clarifying amendments, however, are needed to define more specifically the coverage of the bill and to authorize review by the President of any cases where full cost coverage seems unwarranted.

Recommendations: That the President (a) disapprove exemption of any lending program using Government funds from the legislation, and (b) approve amendments clarifying the scope of the legislation and requiring Presidential approval of any interest rate below full cost. (Proposed language attached as Tab B.)

Implementation: If the President approves these recommendations, the Bureau of the Budget will transmit to the Senate committee and to the sponsors of the legislation the proposed modifications, and will request all executive agencies with lending programs to reflect these decisions in their reports to the committee. The policies will also be followed in clearance of pending and future legislation dealing with lending programs.

CABINET PAPER

For Consideration

Concurrences: The Secretary of the Treasury

The Chairman of the Council of Economic Advisers (except for agreement with State Department on its request for exemption of foreign loans under rare circumstances)

Attachment: Paper on this subject prepared by the Bureau of the Budget.

CABINET PAPER—PRIVILEGED
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December 12, 1957

THE WHITE HOUSE

WASHINGTON

THE CABINET

Interest Rates Paid and Charged by Government Lending Agencies

Background: Over the last 30 years, and especially since the early 1930's the Federal Government has initiated a large number of lending programs to help meet a great variety of specific program requirements. Currently, 13 departments and independent agencies carry on one or more lending programs, either with Government funds or with trust funds administered by them.1/ Three of these (Agriculture, Interior, and the Housing and Home Finance Agency) administer over 25 separate lending programs.

The diverse origins and purposes of these programs have been reflected in a variety of statutory provisions governing interest rates paid and charged by these lending programs. In some cases statutory maximum rates have become obsolete and administrators cannot vary the rates charged, despite increased borrowing costs to the Government and corresponding increases in rates for the most nearly comparable private credit.

Recommendations of Hoover Commission: The Commission on Organization of the Executive Branch of the Government in March 1955 pointed out the considerable hidden subsidies existing in Government lending programs, and recommended:

> "That the Secretary of the Treasury be required to impose rates of interest on the agencies discussed in this report for Federal advances or contributions equal to the going rate of interest paid by the Treasury on its obligations of comparable maturity."
>
> "That all lending and guaranteeing agencies charge such fees to their borrowers as will permit them to reimburse the Treasury for the cost of money advanced to them and cover their own administrative expenses."

Administration Policies and Proposals: Wherever statutory limitations have permitted, the Treasury Department under this administration has required lending agencies which finance their operations by borrowing from it to pay interest at a rate in line with market rates on Treasury securities of comparable maturities. Similarly, lending agencies have been encouraged to reflect variations in underlying costs in the interest rates charged to their borrowers whenever such a policy was permitted under the statute and consistent with maintenance of an effective program.

In his FY 1958 Budget Message, the President stated:

> "Various agencies are being asked to review with the Congress the interest rates charged by the Government in connection with different kinds of loans, several of which have a fixed statutory maximum established when interest costs were much lower than today. It is desirable that there be more consistency and that more discretion be allowed in determining what going rates should be, dependent on the period of the loans and their conditions."

1/ Agriculture, Commerce, Export-Import Bank, FCA, FHLBB, GSA, HHFA, Interior, Labor, SBA, State, Treasury and VA.

CABINET PAPER
For Consideration

The Cabinet, in its meeting of March 11, 1957, agreed that the Director of the Budget should prepare draft legislation "which will specify that all future Government loans will be at an interest rate at least equal to the current long term interest rate at which the Treasury must borrow" (RA-57-69, Item A).

In the President's letter of April 18, 1957, (CP-57-63/1) to the Speaker of the House of Representatives, proposing steps to improve the Federal budgetary situation, he recommended legislation to "establish interest rates for Government programs that will induce private funds to participate in their financing and, at the least, require that such rates cover the borrowing costs of the Federal Government."

Legislation to carry out this recommendation, drafted by the Treasury Department and the Bureau of the Budget, was submitted to the Congress on June 3, 1957. (Transmittal letter from Director of the Bureau of the Budget attached as Tab A.) This bill (S. 2427 and H. R. 8714) requires each lending agency to pay interest on any future borrowing from the Treasury at a rate fixed by the Secretary of the Treasury, taking into consideration the current market rates of interest on Treasury obligations with maturities comparable to those of the loans made by the lending agency. It further requires each lending agency to charge interest on any future loans equal to at least the rate fixed by the Secretary of the Treasury, together with additional amounts sufficient to defray administrative expenses and probable losses to the extent that such additional charges are consistent with the purposes of the loan program.

Impact of Legislation: The Senate Banking and Currency Committee has requested the major lending agencies and the Bureau of the Budget to provide detailed information on the changes in interest rates which will result from enactment of the proposed legislation, as well as other related information. The proposed replies indicate the need for clarification of the coverage of the legislation, since some divergence is apparent among the agencies concerning its applicability to their programs.

Most lending agencies which borrow from the Treasury now pay interest on such borrowings at rates consistent with the proposed requirements. Increases would be required for the Rural Electrification Administration and the Farmers Home Administration (in Agriculture) and the college housing loan program (in HHFA). These departments support the proposed requirements.

With respect to the requirements governing interest rates charged by lending agencies, the majority of programs, including most of the larger ones, already conform to at least the minimum requirements, or are willing to make the necessary adjustments. However, eight agencies 1/ have asked for partial or complete exemptions for one or more programs. In several other cases, lending agencies 2/ expressed the view that increases in interest rates adequate to cover all costs would be inconsistent with the purposes of the specific loan programs involved.

Policy Issues: The arguments advanced for the proposed exemptions from the minimum standard are summarized and discussed below:

1. The Federal Home Loan Bank Board and the Farm Credit

1/ Commerce, FCA, FHLBB, HHFA, Interior, Labor, State and VA
2/ Agriculture, HHFA, SBA and State.

Administration contend that the bill does not or should not apply to their lending agencies, since they do not currently borrow from the Federal Government or with the aid of Government guaranties.

Comments--The Federal Government has a substantial capital investment in the Banks for Cooperatives and the Federal Intermediate Credit Banks (supervised by FCA). Moreover, the Federal Home Loan Banks and the Federal Farm Mortgage Corporation have authority to borrow from the Treasury; if and when they do borrow, they should become subject to the Act. The Bureau of the Budget, accordingly, recommends that the bill be amended to make it clear that the requirements apply to any Government agency currently using Federal funds.

2. Labor, VA and Commerce request exemptions for loans from trust funds administered by them. Labor states that to require interest on advances from the Federal unemployment account to the State funds might conflict with State constitutional restrictions on borrowing. VA contends that the holder of a veterans life insurance policy is entitled by contract to borrow without having administrative costs included in the interest rate charged. Commerce believes that the requirement of interest on advances from the Highway Trust Fund to the States would reduce State funds available for construction and pose serious administrative difficulties.

Treasury points out that interest rates on investments by trust funds in about $45 billion of special issues of U.S. Government obligations might ultimately be subject to the interest requirements of the bill. While not necessarily opposed to establishing a comparable statutory policy governing interest rates on such investments, the Department proposes that such investments be specifically exempt at this time from the legislation.

Comments--The monies invested and loaned by trust funds are not owned by the Federal Government, but are administered by Federal agencies on behalf of the beneficiaries of these funds. Moreover, the application of the specific standard contained in the pending legislation would involve special problems not common to other lending programs. At present interest rates, these requirements could cause a very substantial increase in budget expenditures for interest on special issues. For these logical and practical reasons, the Bureau of the Budget believes that interest requirements governing trust funds should be specifically excluded from this legislation, without prejudice to future revisions in legislation and administrative policy.

3. Interior opposes any requirement of interest charges on irrigation investments and loans made by the Federal Government for the benefit of users of Federal projects. It points out that this would be a drastic change from longstanding law and policy specifically authorizing interest-free investments and loans. However, such a change would have "elements of merit" as part of a consistent policy governing all programs where repayment of investment with interest is customary, such as power and municipal or industrial water supply.

Comments -- The present policy waiving interest on principal repayable over a 40- or 50- year period in effect remits at least half the total Federal cost. Thus it involves major hidden subsidies. To avoid disrupting this program by application of the general interest standards, it might be necessary to provide aids of another type. The

Bureau of the Budget believes that this approach would contribute to sounder overall fiscal policy, and recommends, therefore, that the proposed exemption be disapproved.

4. The State Department contends that the interest requirements should not apply to loans under the Mutual Security Act and under Public Law 480 (i.e., with foreign currencies generated by the sale of agricultural surplus commodities). Such loans are now designed to encourage maximum repayment consistent with foreign policy objectives and rigid interest requirements might require extension of compensating benefits. Flexibility is necessary, State believes, in order to serve our foreign policy interests.

Comments -- The major purposes of the legislation, i.e., avoidance of hidden subsidies, improved coordination, and reduced reliance on the Federal Government, appear just as applicable to the general category of foreign loans as to any program of domestic loans. Interest rates currently charged on loans under Public Law 480 conform to the minimum standards of the proposed bill. Accordingly, the Bureau of the Budget recommends against any exception for foreign loans.

5. The agencies generally agree that credit obligations arising from sales of Government property should be subject to the interest requirements in the proposed legislation. Interior, however, wishes to preserve the present 2 percent interest rate on bonds given by the Territory of Alaska and Alaskan communities for the repayable portion of community facilities sold to them. This lower rate is said to be necessary to offset the abnormally high construction costs and scarcity of private capital in Alaska.

Comments -- The Bureau of the Budget recommends that the legislation be amended to make it clearly applicable to sales credit, except for open book or trade credit. The 50 percent grant provided for Alaskan community facilities appears to be ample to meet any special requirements for Federal assistance.

6. Several agencies advance funds with repayment depending upon a specific contingency. In three such programs, where no interest is currently charged, the agencies believe that exemption from interest requirements is essential to the effectiveness of the programs. These include: a) advances by HHFA for preliminary public works planning (repayable if the specific project is constructed); b) advances by Interior for minerals exploration (with payback on successful projects); and c) advances by VA to disabled veterans undertaking vocational rehabilitation courses (with reimbursement from future benefits).

Comments -- In all three cases the key inducements to the beneficiaries are the provision of funds otherwise often unavailable and the contingent nature of the principal repayment, rather than the waiver of relatively minor interest payments. These inducements can be retained if interest payments are likewise required only if and when principal payments are due. This is consistent with the policy already followed on other types of HHFA planning advances, as well as on CCC price support loans. The Bureau of the Budget recommends a clarifying amendment along the above lines.

7. Interior contends that application of the interest requirements to Indian loans in some cases would retard the economic development of the Indians.

> Comments -- The Bureau of the Budget recommends against any exemption for Indian loans, believing that direct subsidies in such cases are preferable is additional Federal aid is warranted.

* * *

> In addition to the issues raised by the various proposed exemptions from the minimum standard, the reluctance of several lending agencies to provide for full-cost coverage makes it doubtful whether this standard will prove to be very effective in practice if such agencies are the sole judges of its application to the loan programs they administer. Many Government loan programs admittedly operate in marginal credit areas with relatively high costs and risks of loss. Interest rates based upon full costs could substantially reduce or even eliminate such programs. Nevertheless, the burden of proof should be on the individual agency to establish the necessity for rates less than full cost. The Bureau of the Budget, therefore, recommends that any exceptions to the full-cost recovery standard be subject to approval by the President.

Conclusions: In summary, the Bureau of the Budget recommends that all proposals for exemption of lending programs using Government funds be disapproved. Exemption of any one lending program will encourage the Congress to exempt others, and thus defeat the basic purpose of the bill. The Bureau further recommends that Presidential approval be required for any case in which a lending agency proposes to charge interest rates inadequate to cover the full costs of the loan program. The legislation previously submitted should also be amended to remove ambiguities and clarify its application to the various types of lending programs. (Draft of proposed revision attached as Tab B.)

The foregoing recommendations are generally consistent with the consensus of views expressed at the October 16, 1957, meeting of the Advisory Board for Economic Growth and Stability of the Council of Economic Advisers, except that State and CEA favor Presidential discretion in rare cases to set a rate of interest lower than Treasury borrowing costs for certain foreign loans.

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TAB A

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

June 3, 1957

My dear Mr. Speaker:

I have the honor to submit for the consideration of the Congress a proposed bill "To insure greater consistency among Federal loan programs, to avoid hidden subsidies, and to achieve more effective coordination between Federal loan programs and the fiscal and credit policies of the Federal Government."

The President in his letter to you of April 18, 1957, recommended as one of his proposed steps to improve the Federal budgetary situation, to "establish interest rates for Government loan programs that will induce private funds to participate in their financing and, at the least, require that such rates cover the borrowing costs of the Federal Government." This legislation is designed to carry out that recommendation.

The bill establishes two major policies applicable to all loan programs of the Federal Government. It requires each lending agency to pay interest on any future borrowing from the Treasury at a rate fixed by the Secretary of the Treasury, taking into consideration the current market rates of interest on Treasury obligations with maturities comparable to those of the loans made by the lending agency. It further requires each lending agency to charge interest on any future loans equal to at least the rate fixed by the Secretary of the Treasury, together with additional amounts sufficient to defray administrative expenses and probable losses to the extent that such additional charges are consistent with the purposes of the loan program. It will have no effect whatsoever on interest rates charged on outstanding loans or on interest rates paid to the Treasury on the funds necessary to finance these loans.

This legislation is necessary to modify the fixed statutory maximum interest rates on several lending programs established when interest costs were much lower than they are today. As the President pointed out in his message transmitting the 1958 budget, in order to obtain more consistency in the policies of Federal lending agencies, additional discretion is required over the interest rates charged. The proposed bill will provide the flexibility needed to permit the interest rates charged to reflect both the current costs of each lending program and the objectives it serves.

One of the basic purposes of the legislation is to assure that, insofar as consistent with the purposes of the lending programs, all of the costs involved shall be paid by the borrower who benefits from the loan. At present hidden subsidies exist in several programs. Removal or reduction of these subsidies will increase receipts of these programs and thus reduce their budgetary requirements. In addition, any increase in interest rates charged will encourage substitution of private financing and thus reduce Government expenditures. The most immediate effect on the budget will be from reduced disbursements on future loans. In later years, however, as more adequate interest is paid on a larger share of the outstanding loans, the major budget saving will accrue from this source.

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CABINET PAPER

For Consideration

By requiring all lending agencies to cover at least the interest cost incurred by the Government, the proposed legislation will reduce Government competition with private lenders, wherever private lenders provide comparable loans on reasonable terms. When private financial institutions are not able to make the type of loans required, moreover, it is only reasonable that the borrower should pay for the full cost of the credit he receives to the maximum extent possible, rather than to place an unnecessary burden on the taxpayer.

Sincerely yours,

(Signed) Percival F. Brundage

Director

Honorable Sam Rayburn
Speaker of the House
of Representatives
Washington 25, D. C.

Enclosure

[Identical letter sent to the President of the Senate]

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A BILL

To insure greater consistency among Federal loan programs, to avoid hidden subsidies, and to achieve more effective coordination between Federal loan programs and the fiscal and credit policies of the Federal Government.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law (1) the interest rate on any loan hereafter made by the Treasury to any department or agency of the Federal Government to finance loans made by such department or agency shall be fixed by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the loans made by the department or agency, and (2) the interest rate on any loan hereafter made by any department or agency shall not be less than the rate the department or agency making the loan would pay if it borrowed from the Treasury at the time the interest rate on the loan is fixed, plus an additional amount deemed adequate to cover administrative expenses and probable losses to the extent consistent with the purposes of the loan program.

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TAB B

A BILL

To insure greater consistency among Federal loan programs, to avoid hidden subsidies, and to achieve more effective coordination between Federal loan programs and the fiscal and credit policies of the Federal Government.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law

(a) the interest rate on any loan hereafter made by the Treasury to any department or agency of the Federal Government to finance loans made by such department or agency shall be fixed by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the loans made by the department or agency, and

Revised Sub-section

(b) the interest rate on any loan hereafter made by any department or agency shall not be less than the rate the department or agency making the loan would pay if it borrowed from the Treasury at the time the interest rate on the loan is fixed, plus additional amounts deemed adequate to cover administrative expenses and probable losses: *Provided*, That, with the approval of the President, such additional amounts may be omitted to the extent that their inclusion is deemed inconsistent with the purposes of the loan program: [*Provided further*, That the requirements in this subsection may be waived by the President for specific loans, under the Mutual Security Act of 1954 as amended, or under the Agricultural Trade Development and Assistance Act of 1954 as amended, upon determination by him that a lower rate is essential in the conduct of our foreign relations.]1/

New section

Sec. 2. (a) As used in this Act, "departments or agencies of the Federal Government" shall include any Government agency, excluding any trust fund administered by any Government agency, during any period when such agency (1) has outstanding obligations guaranteed in whole or in part by the United States, or (2) is using Government funds either in the form of appropriations, borrowings, subscriptions to capital stock, or otherwise.

(b) As used in this Act, "loans" shall include all loans and advances, including sales credit (except upon book or trade credit), mortgage purchases, and the extension of any other type of credit: *Provided*, That no interest shall be payable on any loan, or portion thereof, if repayment of the principal, or portion thereof, has been waived; and that open any termination of such waiver interest shall be payable from the date of the loan.

1/ Proviso incorporating views of State Department, but not recommended by Bureau of the Budget.

March 13, 1958

Presentation of Feasibility Plan for Public Works before the Cabinet, March 14.

On February 28, we outlined a preliminary progress report on a feasible public works program. This screening then described has proceeded.

The purpose of this presentation is to show more tangibly and explicitly what the shelf of public works which has been so frequently mentioned consists of, what some of these specific programs are, how quickly they can get under way, what employment they can afford, and how much they will cost. It is not to propose or urge that immediate action be taken on initiating a public works program.

The first series of charts show the agency programs. There are 38 such subagency programs included in this presentation. By utilizing all agencies of the government which have construction programs, we make sure of quick, concerted action without overloading any one agency beyond its ability to perform. We secure dispersal of projects as to type of work, we secure dispersal as to sizes of projects, and also a nationwide distribution.

(Chart I)

The first chart gives the data for 6 agencies of the Department of Commerce and 3 other agencies. The headings of the columns should be noted. In each case, the total cost is shown and the Federal cost. Where there are non-Federal dollars involved, it is the difference.

The time element is the important characteristic of any unemployment program. Hence, there was imposed as a major criteria for evaluation the work started for different time periods; namely, 0-3, 4-6, 7-12, and over 12 months, and finally there is shown the employment represented by the particular line item in total man-months.

All programs are supported either by lists of specific projects or by a distribution of dollars to States.

(Chart II)

One comment on the projects of HEW. It will be noted that in these programs more non-Federal dollars are secured than for any other group of programs. The ratio per Federal dollar involved runs as high as 5-1. A number of these programs are already authorized and can be relatively quickly expanded, while others are new programs and require longer to start.

(Chart III)

This chart shows a number of the water resource programs. Commenting on one or two of these, the Corps of Engineers' projects include 212 continuing projects in 36 States, 295 new projects in 34 States, and 195 modernization projects in 34 States. The soil conservation program of the Department of Agriculture is a particularly desirable one in that the average cost of projects is not great and they exist in every one of the time periods in all States except Maine. Agriculture's Forest Service Program is rather a large one and it is a good one from our point of view because it covers 46 States and is devisible into great numbers of smaller projects, many in the Northwest where unemployment is rather severe.

(Chart IV)

This chart shows Interior. The Park Service Program includes 22 major projects and 125 small projects in about 20 States. Fish and wildlife has 360 projects, some in every State. The last item on this chart, Civil Defense, includes projects in every State.

(Chart V)

This chart shows the balance of the 38 programs and the totals. GSA has 201 million distributed in almost every major city. The majority of this work is for repair and improvement and extension and remodeling, all quick starting with speedy completion. I would like to point out on the chart before you the amount that can be started in the first 3 months, GSA $58 million, Defense, Military, $250 million and the total for all agencies is $1.3 billion. In the second 3 months an additional $1-2/3 billion of work could be started.

(Chart VI)

A recapitulation of these programs reveals that the direct Federal portion is just over $3 billion, with all except $45 million being authorized. This element of the program provides 4.1 million man-months of on-site and off-site employment. About one-third of the total could start within 90 days from the time funds become available to the agencies. A little over $1 billion could start in the next 3 months and another billion within the following 6 months.

In the Federal-aid area totaling $3-1/2 billion, which is supported by $2.1 billion of Federal funds, $740 million are within currently authorized programs, $1.4 billion in current programs which would require amending legislation to permit appropriations of the amount involved. This involves primarily the Highway Act. New programs requiring substantive legislation total $1.3 billion. The Federal-aid program shown is also arranged in terms of volume of work that could be started. There are 5-1/2 million man-months of employment in these Federal-aid programs.

These Federal-aid programs, because of local participation, start slower than direct Federal works, but once momentum is gained, progress is very good. Moreover, results per Federal dollar involved are much greater, ranging up to 5 to 1.

Next is shown the magnitude of those programs using predominantly private financing. First, the Post Office programs of about $700 million -- $430 of this is from private funds. The Lease-Purchase program -- $563 million -- is all private financing.

In total, the program outlined is $7.8 billion, of which 5.5 billion is Federal cost. Of the total amount, $1.3 billion could be started within 90 days and an additional $1.6 billion within the next 90 days and $3.2 billion in the following 6 months.

Federal expenditures involved in this total program are shown by years. Note that there is only a $1.4 billion draw-down of Federal funds during the first year, $3 billion draw-down in the second year, and less than $1 billion in the third year.

May I make an important point here. Federal expenditures do not, per se, reflect the true impact of public works in relation to employment of people or to the dollar impact on the economy. Expenditures are not made until work is finished or goods delivered. The true impact in starting public works programs occurs when the order or contract is placed. Almost immediately people are hired, and equipment and materials purchased or ordered. This puts private capital to work right then. The chart shows less than $1-1/2 billion paid out of the Treasury the first year but over $5 billion of work started in the first 12 months.

(Chart 7)

The last chart summarizes the foregoing programs and arranges them in increments or alternates, generally in accordance with the time element. First, there are three programs which have already been announced; namely, the Lease-Purchase program, the Post Office program, and the step-up of the Highway Program. Deducting these from our previous recapitulation, this program reduces to one of $5.2 billions, of which $4 billion is Federal cost. This is not by any means the entire shelf of public works. It is, in fact, about one-half of the valid projects which we have considered. Another echelon not shown, but also not prejudiced by today's submission totals about $5 billion, of which $4-1/2 billion would be Federal cost. What is summarized here is an evaluated program which will produce the maximum results in a short time and will produce the most employment per Federal dollar.

One increment of this program is new Federal-aid programs totaling $1.3 billion, requiring only $700 million of Federal funds. There is included $650 million for school construction plus $380 million for other aids to schools, such as laboratories and teaching facilities.

There is a small amount of new Federal direct work requiring new authorization covering items for the National Institutes of Health and some important technical facilities for the National Advisory Committee for Aeronautics.

The other two increments totaling $3.8 billion, of which $3.3 billion is Federal funds, include projects for which authorization exists. Within these are elements of every agency's program. Federal-aid to hospitals comes within this program, upstream watershed projects are included, as well as projects for the Corps of Engineers and for every Bureau of the Department of the Interior. All 38 agencies contribute to these programs.

In closing, may we point out that public works, chosen from known needs, produce desirable permanent public assets. However, our only objective today is to bring before you the facts as to the ability of public works to get under way and the employment afforded by public works programs which are foremost on our present shelf.

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CA - 58-100

March 19, 1958

The White House

Washington

THE CABINET

Agenda

Friday, March 21, 1958

EXECUTIVE SESSION:

8:30 AM - 9:15 AM

REGULAR SESSION:

9:15 AM

1. Report of the Cabinet Committee on Crude Oil Imports	(Oral)	The Secretary of Commerce
2. The Status of Agricultural Legislation	(Oral)	The Secretary of Agriculture

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

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E.O. 11652, Section 1
By GHC NLE, Date 8-11-76

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MINUTES OF CABINET MEETING

March 21, 1958
8:30 A. M. 10:05 A. M.

The following were present:

President Eisenhower

Executive Session

Vice President Nixon
Sec. Dulles
Sec. Anderson
Sec. McElroy
Mr. Rogers
Mr. Summerfield
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Stans
Mr. Gordon Gray

Governor Adams

Regular Session

Under Sec. Interior Chilson
(for Sec. Seaton)
Dr. Saulnier

Gen. Persons
Mr. Rabb
Mr. Hagerty
Gen. Goodpaster
Mr. Siciliano
Gov. Pyle
Mr. Morgan
Dr. Hauge
Mr. Martin
Mr. Anderson
Mr. Patterson
Mr. Minnich

Crude Oil Imports - The President opened the meeting by inquiring of Sec. Weeks the status of the Oil Import Committee study. Mr. Weeks replied that the Committee would be ready to see the President early next week. The President then asked as to the character of the conclusions being reached. Sec. Weeks said that apparently the Committee would recommend a combination of the voluntary program with an addition of some leverage through resort to the Buy American Act. An Executive Order by the President would be recommended. Import volume would be reduced to 713 million barrels daily for Districts I - IV in order to maintain the 12% ratio in the face of reduced consumption. Also the quotas would be reapportioned to allow entry of additional importers into the program.

In reply to another query from the President, Sec. Weeks stated he did not expect domestic production to increase in the near future.

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E.O. 11652, Section 1
By SWC NLE, Date 9-7-77

The President then asserted that if a program like this failed to work, it would be necessary to at least try compulsory quotas. He again cited the very low level of activity in the oil industry and reaffirmed his dislike of a situation where a recalcitrant company could deviate without punishment from a generally agreed program.

Sec. Dulles opined that the voluntary restriction of imports had worked about as well as could be expected, that the decrease in consumption was the new factor making necessary adjustment of quotas, and that many industries were experiencing difficulties. The President recalled the great length of time the problem had existed and expressed some reservations as to the potential effectiveness of voluntary agreements for solving the problem.

Sec. McElroy stated that the Department did not object to the new policy but he wished to make clear that the Buy American feature might cost Defense between $10 and $20 million additional per year.

Far East Situation - Sec. Dulles touched quickly on the SEATO meeting, then explained the current crisis between the National Chinese Government and the Japanese Government, resulting from the former's inability to acquiesce in the right recently gained by the Chinese Communists in a particular agreement with the Japanese allowing the Communist flag to fly on Japanese territory.

In reporting on his Far East travels, Sec. Dulles believed most significant the fact that in that part of the world the news relating to the United States is all bad. In contrast to the careful control of all news out of Russia so as to show the Soviets off to good advantage, the United States is seriously hurt by the great play given to any statement of any US official that can be used to show the United States as being militaristic. The Secretary did not know what could be done, even though he had talked to some press people. He thought the situation almost beyond repair and an extremely unfortunate state of affairs. It had impressed him even more this time than on previous trips.

There was some discussion as to the type of information sent to the Far East by the wire services. It was appreciated that responsibilities are divided but that in any event the hard news originating in the United States and sent out by the wires provides great material for exploitation by journalists and commentators in the Far East who seek to serve the Russian interests by highlighting things adverse to the United States and ignoring things favorable to the United States.

The Vice President suggested that Cabinet officers go out of their way to receive foreign editors when they visit Washington under the Exchange Program. It was also noted that the State Department is giving attention to providing materials and encouragement to our Ambassadors towards having background chats with local influential people.

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By SHC NLE, Date 9-7-77

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Gen. Persons and the President noted the similar usefulness of background conferences within the United States, although the President made clear that he could not himself have such conferences in his present office.

Agricultural Legislation - Sec. Benson reported that the 2-year extension of P.L. 480 by the Senate was for a longer period than the Administration desired, also that the Humphrey directive for bartering agricultural surpluses was fortunately defeated and replaced by permissive barter authority. With Sec. Dulles concurring, Mr. Benson stated that the barter directed would have seriously damaged our foreign relations. He noted that Sen. Humphrey's pressure for this seemed to have stemmed from the Farmers Union.

Sec. Benson took some comfort from the Republican strength shown even though the freeze legislation was passed by the Senate. He stated that the bill would cost the Administration an additional $360 million or more, that it would not be helpful to agriculture, and that the National Advisory Committee as well as the Farm Bureau Federation were unanimous in opposing it.

The Vice President noted the increasing support around the country for Sec. Benson. He hoped that the Secretary would have a clear understanding of the issues involved in this legislation and of the meaning of the Congressional votes.

The President asked that Sec. Weeks and the Director of the Budget and any others interested give careful attention to the provisions incorporated in the housing construction bill (S. 3418) recently passed by the Senate.

Legislative Program - The President urged Cabinet members to avoid taking unduly rigid positions in matters which may occasion much Congressional controversy. He then recalled the embarrassment he had undergone because of the flat statements made by Government officials in earlier years about the importance of carrying on an adequate mutual assistance program with less than the amounts requested, only to find subsequently that the sums granted remained unobligated for long periods of time.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2)✓
Mr. Rabb
Mr. Minnich

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The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the regular session of the Cabinet meeting of Friday, March 21, 1958:

1. Report of the Cabinet Committee on Crude Oil Imports

ACTION:

a) The Cabinet noted the Secretary of Commerce's oral summarization of the Cabinet Committee's report, including the tentative proposals:

i) To continue the program of voluntary import quotas;

ii) To reduce over-all imports under the program, in keeping with the existing percentage ratio of imports to domestic production;

iii) To include in the program certain new importing companies;

iv) To increase the effectiveness of the voluntary program by requiring that all government purchases of petroleum products be made only from those sources which are complying with the voluntary program (an Executive Order governing this is being drafted).

b) The President emphasized the need for employing more forceful measures should these proposals fail to effect a solution of the problem.

c) The Cabinet noted the additional comments of the Secretary of Defense concerning the past success of the voluntary program and the increased cost to the government of the new proposals.

2. The Status of Agricultural Legislation

Information Item Only.

ADDITIONAL ITEMS

A. Report on Far Eastern Matters

Information Item Only.

B. The Overseas Image of the United States

ACTION:

a) The Cabinet noted the remarks by the Secretary of State, and the seriousness with which he views this situation.

b) There was general agreement with the Vice President's suggestion that Cabinet officers personally make more of their time available to talks with visiting foreign journalists, particularly with those brought here under the auspices of the U. S. exchange of persons program.

c) The Department of State is to continue its efforts to encourage and enable U. S. Ambassadors abroad to visit with and give background news of the United States to foreign press representatives informally and frequently.

d) The suggestion of the Deputy Assistant to the President with respect to improving press relations at home was noted.

C. Presentation of Administration Views to the Congress

ACTION:

The President reminded the Cabinet of the wisdom of avoiding overly rigid advance positions on matters pending before the Congress.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

March 20, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday

The request has been made that the Cabinet start at 8:30 AM with an Executive Session of approximately three-fourths of an hour. The over-all time of the meeting has been arranged to end close to 10:00 AM in order that your flight to West Point can get off on schedule. The regular session will be comprised of the following two items:

1. Report of the Cabinet Committee on Crude Oil Imports (Secretary Weeks)

Pursuant to your assignment in the Cabinet meeting of March 7th, when the Cabinet held a preliminary discussion of this subject, Secretary Weeks and his committee have been working intensively to produce an analysis and recommendations with respect to Federal action on the still threatening level of crude oil imports. After much consultation, Secretary Weeks' report is expected to be ready for discussion at Cabinet tomorrow.

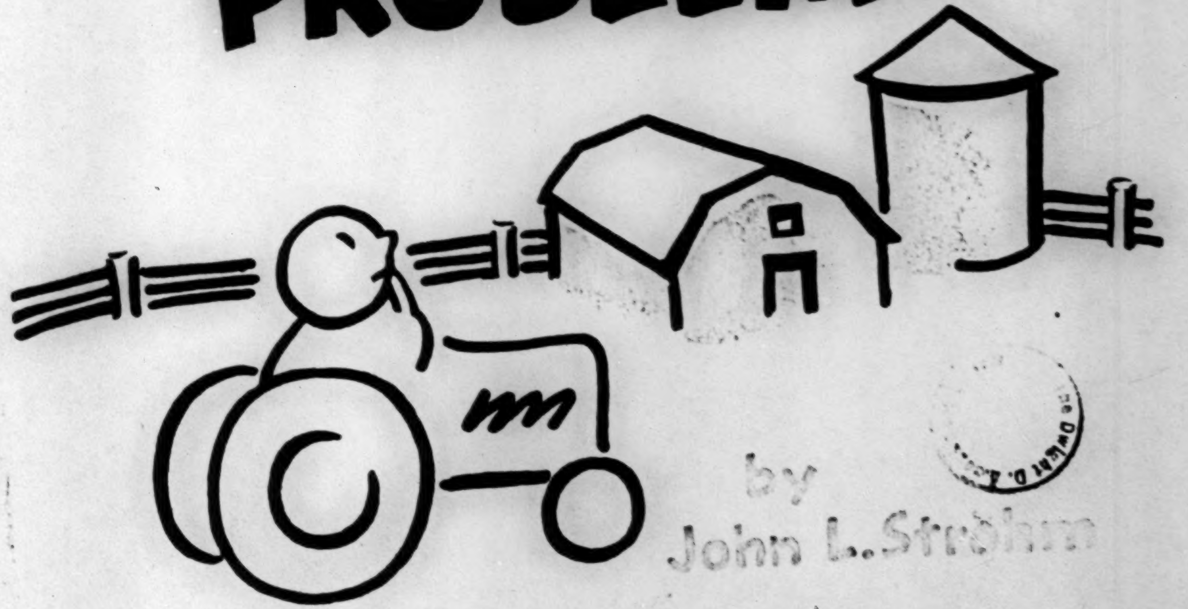
2. The Status of Agricultural Legislation (Secretary Benson)

It has been helpful to you and the Cabinet to have at the last two meetings a brief report from Secretary Benson on the Congressional action to freeze all price supports at 1957 levels. This measure is expected to go on the House floor today and by tomorrow morning it may have achieved such a status as would justify some preliminary discussion of what your own action on it may be.

The Dwight D. E[illegible] Library

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

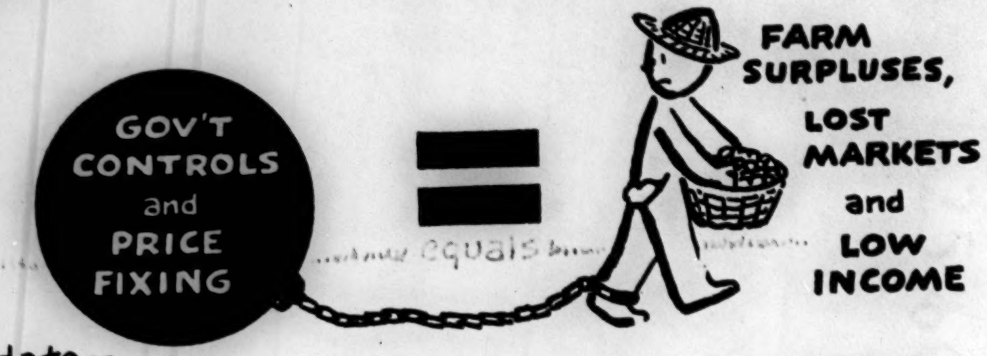
THE ABC's OF THE FARM PROBLEM..



by
John L. Strohm

What it means to the
FARMER · CONSUMER · TAXPAYER

We've got the **BEST FARMERS** in the world-- but they've got **PROBLEMS..**


GOV'T CONTROLS and PRICE FIXING
equals
FARM SURPLUSES, LOST MARKETS and LOW INCOME

To date--

such Gov't farm programs may have HURT farmers more than they have helped!

This Farm Problem is YOUR PROBLEM

IF YOU FARM -- because it affects your income and your freedom

IF YOU EAT-- because it affects both the amount and price of your food

IF YOU PAY TAXES-- because it affects the size of your tax bill

IS THERE AN ANSWER? I believe so. Here is a Common Sense farm program based on the ideas of thousands of people I've talked with -- both farmers and non-farmers.

John L. Strohm, farmer, businessman, and one of America's foremost farm editors—lives at Woodstock, Ill.

A SCRIPTOGRAPHIC BOOKLET Copyright 1958 CHANNING L. BETE CO., INC. Greenfield, Mass., U.S.A. 30A-3-58

--first, we should understand WHAT IS A "FARM"?

there are **4.8** **MILLION FARMS** (total U.S. Census)

2.1 million farms

sell over $2500 worth of farm products a year. Practically all are family farms. They get most of the gov't aid but may have been hurt more than helped by such Farm Legislation

These **2.1** million farms raise...

90% of all U.S. farm production

2.7 million farms

sell less than $2500 including ...

1.5 million farms

that aren't really farms at all (900,000 are merely "rural residents" and 600,000 farm some, but have other jobs). The Farm Price Support Program has meant less than $100 extra per farm to them. That's false encouragement. They need new income not Gov't handouts!

These **2.7** million farms raise only..

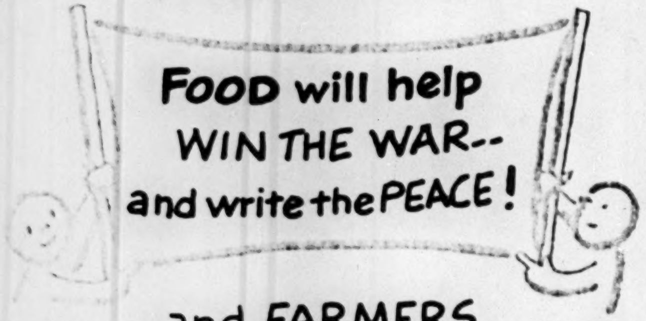
10% of U.S. farm production

WHY do we have such a SURPLUS problem?

-- BECAUSE of World War II --

Congress guaranteed farmers high PRICE SUPPORTS as a production incentive

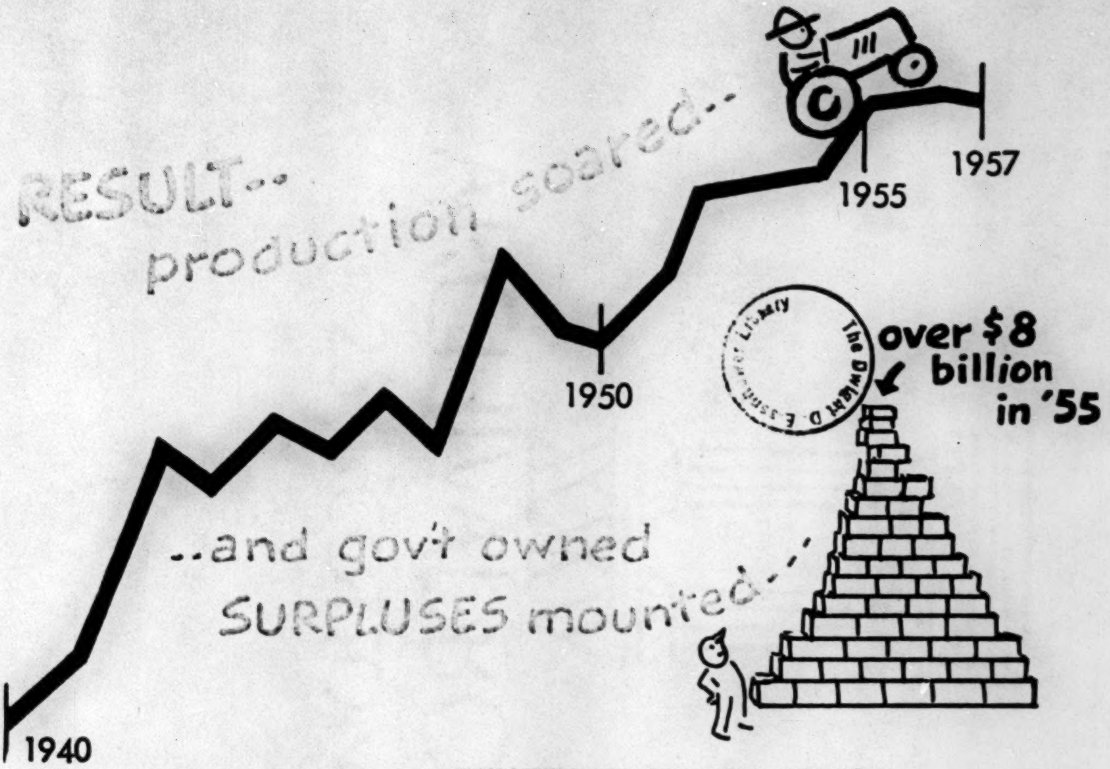
(War and inflation caused prices to rise sharply -- above the supports)



..and FARMERS CAME THROUGH MAGNIFICENTLY with the greatest output per man in farm history!

Fine -- but after the war Congress CONTINUED these price support incentives.. and FARMERS naturally continued to PRODUCE at record levels

(who wouldn't!)



-- and today -- the government still owns about $7 billion in surplus farm products in spite of disposing over $12 billion worth since 1953

Congressmen, bless them, have been trying to help farmers for the past 25 years!

RESULT 1

FARM INCOME DOWN $2 BILLION A YEAR

While trying to prop up farm prices, old laws have created huge surpluses that actually have depressed farm income $2 billion a year

FARM INCOME

RESULT 2

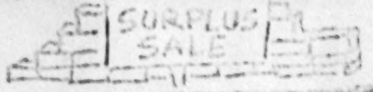
ALREADY $15 BILLION TAX DOLLARS SPENT

Terrific cost of farm program -- $3.3 billion last year -- is beginning to turn public against farmers and it's not their fault. Costs taxpayers $1 million a day for storage of surplus crops

RESULT 3

SURPLUSES INEVITABLE UNDER PRESENT LAW

Gov't must spend billions of dollars to sell and give away surpluses. But by law -- as surplus goes down, price supports go up -- encouraging surplus to build up again



RESULT 4

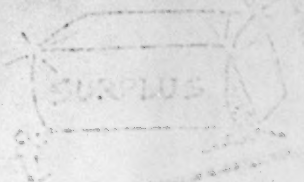
GOV'T SHACKLES FARM PROGRESS

Gov't controls cut farmer's efficiency. One third of cotton farmers grow 5 acres or less. Also two thirds of burley tobacco growers now have 1/2 acre or less. Makes a mediocre farm from a good one.

RESULT 5

A WASTE OF GOOD RESOURCES

When a farmer is forced to produce for storage and not for stomachs, it wastes America's resources -- including labor, capital, fertilizer, machinery

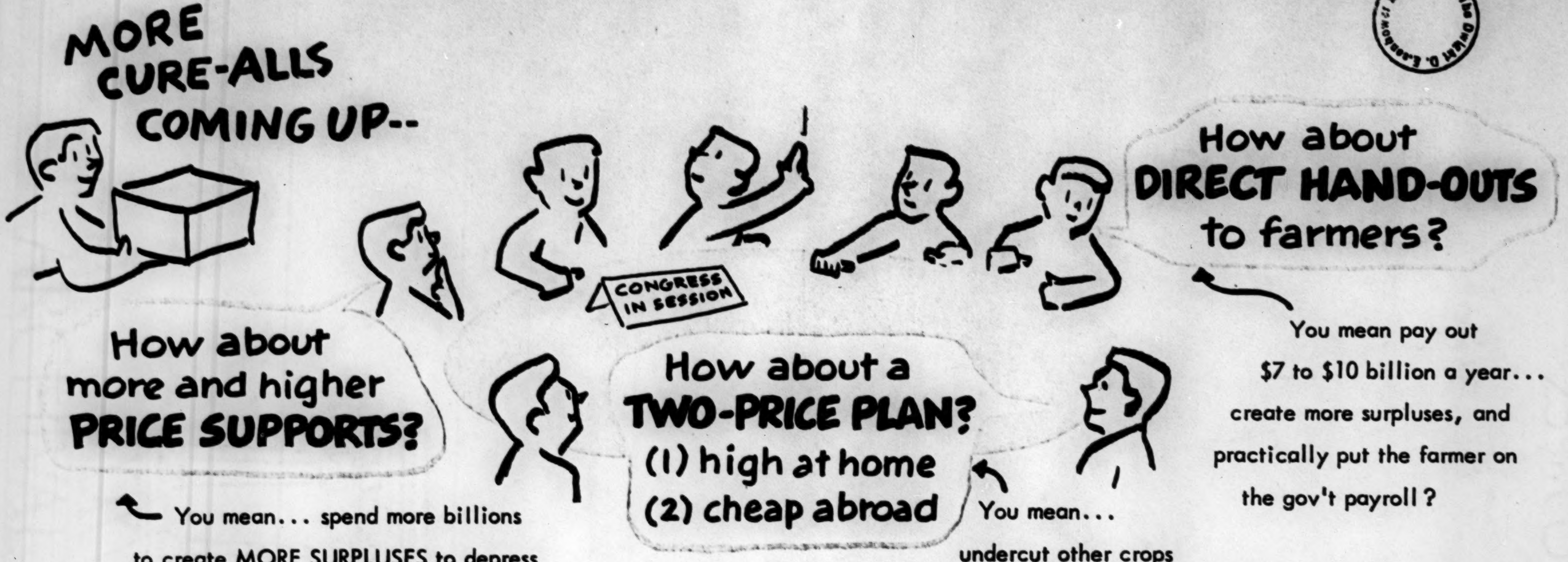


RESULT 6

A CEILING ON OPPORTUNITY

Laws now put ceilings on a farmer's opportunity. If trend continues -- there will be no real opportunity in agriculture -- we'll destroy the efficient farm that Congress set out to save

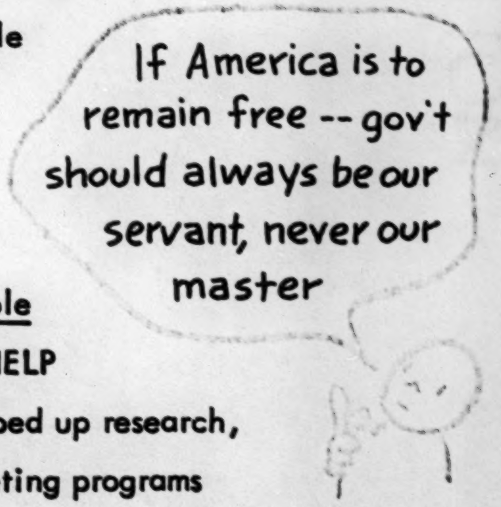
Won't you please stop "helping" and give me a chance to help myself!


MORE CURE-ALLS COMING UP--
How about more and higher PRICE SUPPORTS?
CONGRESS IN SESSION
How about a TWO-PRICE PLAN? (1) high at home (2) cheap abroad
How about DIRECT HAND-OUTS to farmers?

You mean... spend more billions to create MORE SURPLUSES to depress the market still MORE?

You mean... undercut other crops at home and cause problems for them while dumping our surpluses abroad?

You mean pay out $7 to $10 billion a year... create more surpluses, and practically put the farmer on the gov't payroll?

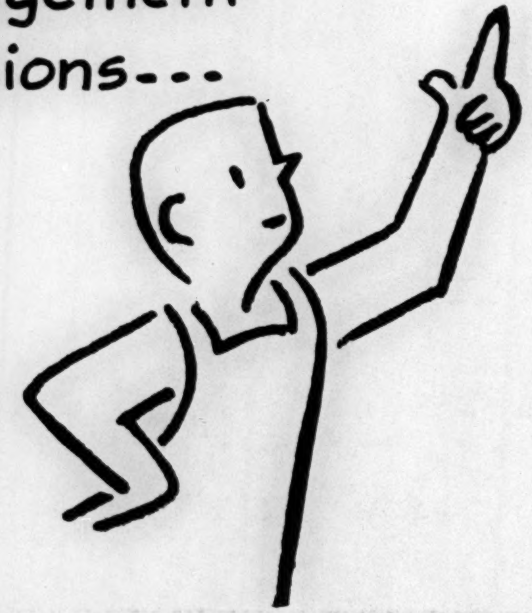

If America is to remain free -- gov't should always be our servant, never our master

THE SIMPLE FACTS ARE--

- No one can LEGISLATE FARM INCOME
- POLITICAL attempts to solve this ECONOMIC problem have failed
- The SMALL farmer who really needs HELP has been helped little by price support programs
- Government's major role is to HELP FARMERS HELP THEMSELVES via stepped up research, educational and marketing programs

In the midst of all this attention--
the farmer himself has become
"THE FORGOTTEN MAN"

PLEASE, I just want to
share the American right
to make my own
management
decisions...



Let's try more freedom for a change--

① MORE FREEDOM TO DECIDE HOW MUCH OF WHAT CROP TO RAISE

"CONTROLLED" COTTON
U.S. acreage down 60% since
1930 while world acreage is up.
We've lost markets at home and
abroad to foreign producers
and synthetics.

"UN-CONTROLLED" BEEF
Worked off a surplus
by increasing consumption from
62 to 85 lbs. per person -- now
near top in farm income

② MORE OPPORTUNITY TO SELL IN A FREER MARKET THAT PERMITS SHIFTS FROM GRAIN CROPS TO LIVESTOCK

In a free market, shifts in the family DIET
can take care of food surpluses

7 lbs. - feed
- grain } = 1 lb. = { meat or equivalent in
dairy or poultry products

DID YOU KNOW...
74% of grain crop
goes to livestock?

DID YOU KNOW...
54% of farm income
is from livestock?

Better diets for all... mean... more money for farmers!

So let's try this..

COMMON SENSE FARM PROGRAM

(1) QUIT TRYING TO FIX FARM PRICES

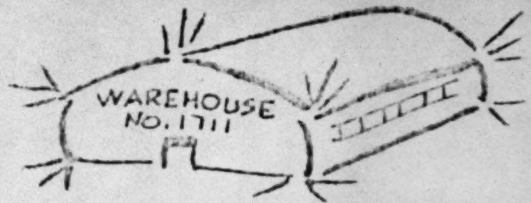
HIGH
PRICE
SUPPORTS

Don't try to legislate farm income. Use price supports as insurance protection, NOT subsidy.

(2) FREE FARMERS from Quotas+Controls

Let farmers be free to raise what they want to raise. Let the market be their guide. Let them farm the best they can and make their own management decisions. This transition will take time.

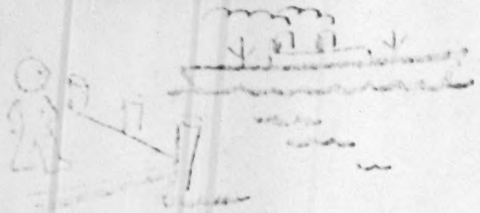
(3) CONTINUE TO GET RID OF GOV'T SURPLUS



Empty Gov't bins of $7 billion surplus food and fiber -- but do it gradually. It's not the farmers' fault. Share America's abundance at home and abroad.

The Dw... Eisenhower Library

(4) PROMOTE MARKETS ABROAD



Our feed grains are needed by countries with growing livestock population. Many countries need our food. Let's sell these world markets.

(5) EXPAND MARKETS AT HOME

American diets can use more proteins for better health. More meat, eggs, milk and poultry will reduce our grain surplus.

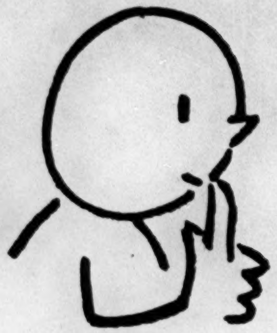
(6) RESEARCH FOR NEW CROPS and NEW USES FOR OLD CROPS

Finance research in new industrial uses of farm products -- now only 5 to 7% of total. Also develop new crops -- such as sesame, safflower, bamboo, castor beans, etc.

(7) EXPAND RURAL DEVELOPMENT PROGRAM

It offers real hope to the more than 2 million small farmers, now practically untouched by price support programs. Program helps these farmers earn more income as result of training and development of new job opportunities on and off the farm.

WHO'LL VOTE for such a common sense farm program?



☐ **FARMERS** .... because they'll be FREE to farm more efficiently and make more money in this DYNAMIC AGE

☐ **HOUSEWIVES** ....because they'll be able to serve more nutritious meals at less cost for food

☐ **TAXPAYERS** ....because the average family will save about $75 per year in taxes

A Common Sense Farm Program--

(1) **Quit** trying to fix farm prices
(2) **Free** farmers gradually from controls
(3) **Get Rid** of surplus gradually
(4) **Promote** markets abroad
(5) **Expand** markets at home
(6) **Develop** new crops and new uses
(7) **Help** small farmers help themselves

DO YOU AGREE THAT THIS MAKE SENSE?

If so.. say so! ***Support*** this common sense program in every way you can. ***Go on record***. It is your duty and *your opportunity* for constructive action!

CABINET PAPER—PRIVILEGED
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CA - 58-101

March 26, 1958

The White House

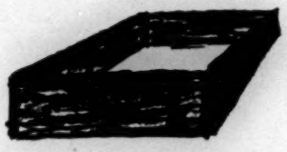
Washington

THE CABINET

Agenda

9:00 AM, Friday, March 28, 1958

1.	Report on the Status of the Education Proposals	(Oral)	The Secretary of Health, Education, and Welfare ✓ See Tab 1
2.	Report on the Status of Social Security Legislation	(Oral)	The Secretary of Health, Education, and Welfare ✓
3.	Recommendations Concerning Railroads -- Report of the Transportation Study Group	CP - 58-77	The Secretary of Commerce; ✓ The Under Secretary of Commerce for Transportation See Tab 3
4.	Status Report on FY 1958 Expenditures and Personnel	(Oral)	The Director, Bureau of the Budget



FOLLOWING CABINET MEETING:

Briefing on New Defense Expenditures and Programs	(Oral)	The Secretary of Defense

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

March 28, 1958
9:05 A. M. -- 10:30 A.M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. Herter
(for Sec. Dulles)
Sec. Anderson
Sec. McElroy
Mr. Rogers
Mr. Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Stans
Deputy Director ODM Patterson
(for Mr. Gray)
Amb. Lodge
Dr. Saulnier

Asst. Sec. Laurence B. Robbins,
Treasury
Under Sec. Louis S. Rothschild,
Commerce
Deputy Sec. Quarles, Defense,
in part
Hon. Randolph Burgess
Adm. Strauss, AEC
Mr. Merriam, Budget

Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Morgan
Gen. Goodpaster
Dr. Hauge
Mr. Harlow
Dr. Killian
Mr. Larson
Mrs. Wheaton
Mr. Martin
Mr. Siciliano
Mr. McCabe
Mr. Patterson
Mr. Minnich

Education Legislation - Sec. Folsom, in reporting the progress of discussions on this legislation, indicated that Sen. Hill was pressing a bill differing from the Administration bill as regards a duration of six years rather than four, scholarships numbering 40,000 per year instead of 10,000, and lacking any "need" qualification. He indicated that Sen. Hill felt that the House would inevitably reduce the scope of the Senate bill, hence it was necessary for the Senate to aim high. Mr. Folsom felt that the Administration would eventually have to compromise on some of these points but that in keeping with the President's directive he would continue for the present to support the Administration's proposal without change.

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E.O. 11652, Section 1

By DWC NLE, Date 8-11-76

Sec. Folsom also noted the conflicting opinions on the Hill as to whether scholarship awards should be on a national basis thus assuring national standards, or on a State basis. The President in this connection desired to insure that the student would have to maintain high quality work or lose the scholarship. He thought perhaps scholarship payments should be made directly from the States to the colleges rather than through the individual students. Mr. Folsom stated that such details had not yet been developed. Along with a number of other tendencies reported, Mr. Folsom noted that funds would probably not be directed in any Congressional bill toward raising salaries but that the money originally planned for this might be used in other respects advocated by Members of Congress. He also stressed an apparent desire on the Hill for establishing a loan fund to supplement scholarships, and members of the Cabinet cited various examples of the success of such loan funds in contrast with the President's citation of his rather unfavorable experience with one at Columbia University for medical students.

The President called specific attention to the points made in the current LIFE editorial on education.

Social Security - After noting that some Members of Congress wished early revision of the Social Security program, Mr. Folsom stated that Senators Hill and Byrd preferred to wait for completion of studies now being conducted by HEW concerning the fiscal soundness of the trust fund and the possible desirability of increasing payments in view of the 6% rise in the cost-of-living index since the last adjustment.

Sec. Folsom stated the Administration position as being opposed to any Federal participation in general assistance to the unemployed. He cited the existence of considerable pressure from the States for a new program in this area, which would take the Federal Government far beyond the four very specialized fields now supported. Mr. Folsom noted the important factor of the quantity of funds being fed into the economy through various social security and welfare payments. Approximately $1.8 billion per month was paid out for all the various Federal and State assistance and pension programs.

Transport Policy (CP 58-77) - Following an introduction by Sec. Weeks, Mr. Rothschild reviewed in detail the Cabinet paper setting forth the report of the special group which had studied urgent railroad problems in recent months. In doing so, he noted some agreed departures from the draft circulated, including omission of passenger service from the provisions in Recommendation I and deletion of Recommendation IV which had insufficient value to warrant the controversy that would arise.

In connection with the Recommendation for tightening agricultural exemptions, Sec. Benson was assured by Mr. Rothschild that the change would not interfere with the farmer's freedom to haul his own things and those of his neighbors. In subsequent discussion it was agreed that Sec. Benson should consult with appropriate farm leaders before any final decision to go ahead with this item. Mr. Benson believed it would be acceptable.

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-11-76

Regarding the Recommendation for reducing the transportation excise tax, Mr. Rothschild emphasized the need for determining a feasible time, and Sec. Anderson concurred fully. The latter added that no justification existed for the excise except the quantity of money it brought into the Treasury. He thought Congressional leaders might agree to consideration of legislation for a change in this tax under an agreement that other tax revisions would not be tacked on to this one.

Regarding the financial situation, Mr. Rothschild thought the proposed equipment Corporation might need a temporary advance of capital from the Government. He stressed the possibility that some eastern railroads would need Government loans very soon for survival, hence the recommendation that legislation be drafted confidentially for getting the necessary authority and appropriation but allowing the Administration to await an absolutely certain need.

A number of Cabinet members commented on various aspects of the fiscal difficulties of the several eastern railroads most seriously affected, the urgency of the problem, and the impact of possible bankruptcies on the economic psychology of the Nation and on national security. Sec. Anderson stated Treasury's belief that the Department already had sufficient authority under Section 302 of the Defense Production Act. Should Government loans be made, he said, it would seem desirable to establish a Creditors Committee with power to adjust debt relationships so as to avoid receiverships, a situation containing difficulties for the Government. Both Sec. Anderson and the President emphasized the importance of far-reaching changes in legislation if loans were to be made, since the Government should not make such loans with a prospect of inability of the railroads to repay the loans. Sec. Weeks thought it essential to secure the cure from Congress in advance of the loans, or Congress would not face up to the problem. The President reiterated his desire to avoid buying up broken-legged horses.

The President commented on the need for greater centralization among the railroads and the possible desirability of a Government requirement to that effect accompanying any Government subsidy as in the case of the airlines. Mr. Rothschild cited the possibility of important economies being accomplished through joint use of facilities.

It was agreed that the Administration should push ahead with developing legislative proposals for removing undue restrictions on the railroads, with the possibility of a limited excise action to be discussed with appropriate Congressional leaders, and that the Department of Justice should furnish an opinion as to the powers of the Treasury Department under Section 302.

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-11-76

Regarding the final recommendation on Government organization of regulatory agencies, the President believed it unnecessary to take immediate action on this, and questioned it had any possibility of acceptance in a Congress jealous of its prerogatives.

Sec. Seaton desired to withhold full concurrence in the report until he could look at its implications with respect to the Alaskan Railway.

Acting Director Patterson took note of the question ODM would have to face as to how far the Government should go in providing Government support to basic industries other than the railroads in time of economic difficulty.

The Vice President took note of the demagoguery that would inevitably attend any effort made to help the railroads, but he felt that the current economic situation would add to the possibility of securing favorable action.

Budget and Personnel Report - Mr. Stans pointed out that Government employment was 69,000 less than a year ago but that it would increase by nearly the same amount during the rest of the fiscal year, much of this of a seasonal nature.

Regarding expenditure rates, Mr. Stans went over the agency list and showed an anticipated total expenditure higher by $383 million than as was predicted in January, mostly because of military additions. He expected the deficit for FY 1958 to range from $2 to $3 billion, depending on the shortfall in receipts.

Mr. Stans said that the FY 1959 budget might exceed $78 billion, depending on what additional programs Congress might adopt beyond those now anticipated.

(The President left the meeting toward the end of this discussion.)

* * * *

Sec. McElroy and Mr. Quarles made a detailed presentation of the program and activities for which a supplemental appropriation is being proposed. Mr. Quarles stressed that the program he outlined was something less than the $7 billion total first requested by the three Services, and that final approval was yet to be obtained from the President. Final coordination with the Bureau of the Budget likewise remained to be accomplished.

* * * *

It was agreed that there would be no Cabinet meeting on Good Friday.

LAM
L. A. Minnich, Jr.

Copies to -
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

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RA - 58-101

April 23, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, March 28, 1958:

1. Report on the Status of Education Proposals

ACTION: The Cabinet noted the summary by the Secretary of Health, Education and Welfare of the legislative status of the educational aid proposals.

a) With respect to the number of scholarships to be authorized and in connection with current Senate action, the President indicated that he did not wish the Secretary to depart or give any intimation of departure from the Administration proposal.

b) With respect to the method of making scholarship funds available, the President emphasized his interest in ensuring that the payment of the awards is made closely contingent upon the student's maintaining a high level of achievement; consideration should be given to paying the funds directly to the universities selected, to be disbursed by them in turn to the scholarship students on a periodic basis consistent with the proper achievement.

2. Report on the Status of Social Security Legislation

ACTION: The Cabinet noted the report by the Secretary of Health, Education and Welfare on the potential legislative situation with respect to social security, on the general magnitude of the program in toto and on its current impact upon the national economy. The President indicated his present opposition to proposals which would take the Federal government into State Public Assistance programs for the employable unemployed.

3. Recommendations Concerning Railroads -- Report of the Transportation Study Group

ACTION: Cabinet Paper 58-77 was approved, subject to the following provisions and changes:

a) The word "passenger" is to be deleted from the first Recommendation on page 8, thus extending the Recommendation to apply also to freight services.

b) The Recommendation near the top of page 4, while acceptable to the Secretary of Agriculture and approved, is to be held in abeyance pending consultation with the appropriate farm organizations and a review of the support which they are likely to give it.

c) The second Recommendation on page 4 was withdrawn.

d) The Recommendations at the top of page 5 and the bottom of page 6 are approved but their implementation is to be contingent upon consultation with the Congressional leadership and upon the assurances which can be obtained that other repealing amendments in this general field will not be tacked onto the legislation.

e) The Recommendation at the bottom of page 5 is approved with emphasis on the need for speed in the decision-making process.

f) With respect to the first and especially the second Recommendations on page 7, the measures recommended to be prepared shall be understood to include the guaranteeing of loans obtained from private sources.

g) With respect to the second Recommendation on page 7:

  i) The Attorney General will promptly advise the Study Group as to the legal questions involved in determining whether the Administration can take the measures recommended under present statutory authority (Section 302 of the Defense Production Act) or must seek new legislation;

  ii) Alternative methods should be considered for avoiding receivership: e.g., bondholders-shareholders committees which would have the right to readjust debt relationships among those represented;

  iii) The President indicated that in any case the Administration's position is clearly: that emergency direct aid is to be employed only after the other recommendations for long-range improvement are accepted in such a way that there is genuine promise of improvement in the earning position of the railroad industry, and specifically of any recipients of such aid. Implementation of these longer-range recommendations in fact is to take priority over the measures referred to in "d", "f", and "g" above.

h) Action on the two recommendations on page 8 is deferred for further study.

4. Status Report on FY 1958 Expenditures and Personnel

ACTION: The Cabinet noted the report presented by the Director of the Bureau of the Budget, including his revised estimates of agency spending plans through the end of this Fiscal Year.

The Cabinet further noted that a special presentation is being prepared by the Director of the Bureau of the Budget for the next meeting which will show the longer-run trends in expenditures.

* ****************

POST-CABINET BRIEFING ON NEW DEFENSE EXPENDITURES AND PROGRAMS

Information Item Only.

NOTE: The members of the Cabinet are reminded that:

1) This briefing was presented to them on a personal basis.

2) The briefing contained information in the highest security classification -- and is not to be repeated beyond those present in the room.

3) The proposals presented are tentative; action and decision are under Budget Bureau and White House review.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

March 27, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for March 28, 1958

With your concurrence, there will be one new face at Cabinet this week: The Honorable Randolph Burgess, United States Permanent Representative to NATO. You may remember that among your remarks to the Heads of Government meeting in Paris last December were these three sentences: "We expect to keep our Permanent Representative fully informed of all our policies which could materially affect our associates here. When in the United States, he will attend and participate in meetings of our Cabinet and of the National Security Council. He will be privy to all the purposes of our Government." Recalling this, Secretary Dulles has asked that Ambassador Burgess come to the Cabinet meeting this week.

The agenda is as follows:

1. Report on the Status of the Education Proposals (Secretary Folsom)

The Senate Committee is about to report out a bill on Aid to Education and Secretary Folsom has asked for two or three minutes to bring you and the Cabinet up to date as this important legislation moves toward the action stage. Secretary Folsom may also discuss the bill to aid Federally-Impacted Areas which is now in the Rules Committee and may be subject to a "Powell" amendment when it comes to the floor.

PRESENTATION TIME: 5 minutes

2. **Report on the Status of Social Security Legislation** (Secretary Folsom)

There are a whole series (some 300-odd) of major and minor bills now in the hopper on the Hill to liberalize Social Security legislation in various ways. The Administration opposes almost all of them. There are, however, a number of highly technical amendments to the Social Security Act which HEW would support and would like to see passed as a package. Secretary Folsom has asked to speak about this situation to you and the Cabinet. He is particularly wary of opening up the Social Security Act at all during an election year; the opposition, however, may do this regardless. Secretary Folsom wishes to bring this up for discussion and guidance on the course of action to be taken.

PRESENTATION TIME: 10 minutes

3. **Recommendations Concerning Railroads -- Report of the Transportation Study Group** (Secretary Weeks, Under Secretary Rothschild)

A great deal has been written and spoken lately about the plight of the American railroads. Last December, a delegation of railroad officials came into the White House with proposals for governmental action. As a result of this discussion, the Assistant to the President asked Under Secretary Rothschild to establish a Transportation Study Group specifically to look into the problems of the railroads, keeping in mind the report in April 1955 of the Cabinet Committee on Transport Policy and Organization.

Mr. Rothschild's group (himself, Gordon Gray, Dr. Saulnier, and Frederick Nash) has now completed its analysis and is prepared to give its report which makes recommendations for certain governmental actions.

This report has been given a very limited advance distribution to the Cabinet; Secretary Weeks and Under Secretary Rothschild will be prepared to present the report for Cabinet consideration and your decision.

PRESENTATION TIME: 15 minutes

4. Status Report on FY 1958 Expenditures and Personnel (Director Stans)

These periodic reports to the Cabinet have been a fruitful source of information on government costs and size. It is through this device that you and the Cabinet can monitor and to some extent control the rates of fund out-go and the hiring of personnel.

PRESENTATION TIME: 8 minutes

* * * * * *

Following the Cabinet meeting, and in accordance with Secretary McElroy's recent suggestion, a briefing on some of the proposed new defense programs has been arranged for the other Members of the Cabinet. It should be emphasized that this is not an action matter -- since the decisions on these proposals are under study in the Bureau of the Budget and will be brought directly to you. This post-Cabinet presentation, rather, is a method of keeping the Cabinet informed of significant defense programs which inevitably concern the Administration as a whole and deeply affect the national economy.

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

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COPY NUMBER: 1

CP - 58-77

March 25, 1958

The White House

Washington

THE CABINET

Recommendations Concerning Railroads -- Report of the Transportation Study Group

For consideration by the Cabinet, attached is the Report of the special Transportation Study Group established in December, 1957 at the request of the Assistant to the President.

This Report analyzes and discusses some of the major problems of the railroad industry and makes recommendations with respect to governmental policies affecting that industry.

The attached Report should be read in conjunction with the Report of the Cabinet Committee on Transport Policy and Organization (AT END OF TAB 3) (issued as a White House Press Release on April 18, 1955).

The attached Report is preceded by a cover transmittal-letter from the Chairman of the Study Group to the Assistant to the President.

Distribution of the attached Report is on a limited basis only; special precautions are to be taken by each recipient to safeguard the privileged nature of this document.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED

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THE UNDER SECRETARY OF COMMERCE
FOR TRANSPORTATION
Washington 25

March 20, 1958

Dear Governor Adams:

Pursuant to your instructions of December 5, 1957, the group which met with you and certain railroad officials that day has prepared and now submits its report.

In preparing this report we have consulted representatives of the Treasury Department, the Department of Defense, the Post Office Department, the Department of Agriculture and the General Services Administration, but these consultations do not imply the approval of these agencies. We have also consulted some outside experts, no one of whom has seen any part of the report. We have also reviewed the Report of the Cabinet Committee on Transportation Policy and proceedings in connection therewith.

We have given serious consideration to all railroad proposals made at the December 5, meeting and subsequently to the Smathers Subcommittee and have reviewed all testimony to date before that Subcommittee.

We have not dealt with the matter of additional user charges on highways or new user charges on airways and inland waterways for the reason that we do not believe these should be considered as part of a program to alleviate ills in other fields of transportation.

Dr. Gabriel Hauge, Special Assistant to the President, has been present at all meetings of the group and concurs in our findings.

The recommendations contained in this report represent our best judgment. It is our opinion that if any of these recommendations require legislative action, they should be made a part of the President's program. We would hope that this might be determined long enough before March 27, the date on which government witnesses will testify before the Smathers Subcommittee, so that approved portions of it may be included in their testimony.

Respectfully yours,

Louis S. Rothschild

Louis S. Rothschild

Honorable Sherman Adams
The White House

Enclosure: (1)

REPORT OF THE TRANSPORTATION STUDY GROUP

March 1958

Much of the extraordinary industrial development of the United States and of its unmatched standard ~~of living~~ has been made possible by the contemporaneous development of its transportation system. This is the only remaining privately owned system in the world today, and its growth has resulted from private initiative, guided, regulated, and at times assisted by government.

We recognize that it is of paramount importance to the country's welfare that this system remain privately owned and that the government's role be limited to such minimum guidance, regulation, and assistance as is essential in the public interest.

The system consists of regulated railroads, pipelines, airlines and bus lines, and regulated and unregulated truck lines and water carriers. Extensive competition exists among and within all these forms of transportation, with the result that any competitive or regulatory change may occasion a significant shift of business between or within these several elements of the industry.

Although our assignment was occasioned by the railroad's current situation, we recognize that recommendations which would merely shift business to one segment of the system, such as railroads, from other segments would not be in the public interest. The public interest will be served only by a strengthening of the system as a whole.

We believe that the system as a whole will be at its strongest when each of its elements is performing those services for which it is inherently best adapted at prices which will attract a sufficient volume of business to permit profitable operation. We believe also that the public, through the exercise or withholding of its purchasing power, brings to bear the soundest judgment as to the relative worth of competing transportation services offered at reasonable prices.

The public is already exercising a judgment. The railroad share of the total intercity freight transportation business in the United States has declined from about 75 percent in 1929 to less than 50 percent in 1957. This business appears to have gone to motor trucks, both regulated and unregulated, and to oil pipelines whose combined share of total intercity freight transportation has increased during this same period from about 8 percent to more than 35 percent. In intercity passenger transportation, the public judgment has been in the same direction. In 1929 the railroads carried about 17 percent of the intercity travellers. By 1957 this had declined to less than 4 percent. This traffic largely shifted to private automobiles which carried about 88 percent of the intercity passengers in 1957 as compared with about 78 percent in 1929. The balance of the passenger traffic lost by the railroads, about 3%, went to the airlines.

There is every indication that this trend will continue. Construction of the Interstate Highway System and other Federal Aid Highways over the next decade or so will increase the utility of motor vehicles for hauling both freight and passengers. Increase in the safety and speed of air travel, coupled with its growing independence of weather conditions, will surely deprive the railroads of much of the medium to long haul passenger traffic. More freight will be handled by pipelines and inland water carriers.

If this choice by the public were being made strictly on the basis of the inherent merits of the various modes of transportation, there would be no economic justification for recommending changes in government policy. Justification would have to be found elsewhere--as in the importance of the railroads in an emergency.

We are of the opinion, however, that the public choice of transportation is being affected by governmental policies, and that there is reason to believe that a revision of certain of these policies would bring about some redistribution of traffic at prices which would benefit the public at large and strengthen each mode of transportation by encouraging it to perform those functions for which it is best adapted.

We make no recommendation with respect to the policies of management, but the group feels that the major responsibility for finding solutions to the problems that beset the transportation industry rests squarely on management. The group believes that the economic pressures of a free enterprise system, if allowed full enough play, will induce management to take the necessary corrective actions.

We come now to the governmental policies which we consider unsound, the problems created by them, and our recommendations. The group's recommendations involve specific and difficult technical questions on which, in a number of cases, conflicting solutions have been advocated. The group has not attempted to resolve these technical problems as part of the present report.

Passenger Services

All railroads that operate passenger trains, both commuter and intercity, have found the business to be unprofitable in varying degrees. The combined passenger train deficits are currently running in the area of $600 to $700 million per year.

Original jurisdiction of proceedings to abandon or curtail these unprofitable services is to a substantial extent vested in State commissions which, responding to local pressures, have in too many cases declined to grant relief. Also where, in the case of commuter traffic, abandonment or curtailment of service would have worked such hardship on the travelling public or local communities as to justify denial of relief by the State commission, the State commission, with its local rather than interstate interest, has often failed to cooperate with the railroads in working out some alternative form of relief.

The railroads, therefore, have been obliged to meet these deficits by seeking freight rates sufficiently high to offset these losses and yield a reasonable return on their total freight and passenger investment. In competition with other modes of transportation not so encumbered, this increase in rates by the railroads has resulted in the loss of a substantial amount of freight traffic and has denied the general public the benefit of the efficient and low cost freight transportation that otherwise might have been available.

We recommend that the Administration propose and support legislation (1) granting original jurisdiction to the Interstate Commerce Commission, where it does not now have such jurisdiction, and (2) permitting, subject to the availability of reasonably adequate alternate services, curtailment or abandonment of railroad [redacted] (including commuter) services which impose an undue burden on interstate commerce. (This restates a recommendation of the Cabinet Committee on Transport Policy and Organization.)

Private Carriage

There has been and continues to be a substantial growth in private transportation, which is defined as the hauling of merchandise by persons having a proprietary interest therein. It is not and should not be subject to economic regulation. There has additionally been a large and worrisome amount of hauling under the guise of private transportation. The ease of posing as a private carrier under present statutes and regulations in order to avoid regulation and to be able to quote prices with which regulated carriers cannot compete has contributed to the loss of a very substantial amount of business by regulated carriers, including the railroads.

We recommend a legislative redefinition of private motor carriage that will aim at eliminating unfair competition by certain for-hire carriers operating in the guise of private carriers. (This parallels in intent a recommendation of the Cabinet Committee on Transport Policy and Organization.

Agricultural Exemption

The exemption from economic regulation of motor carriers carrying agricultural products from farm to market, commonly called the agricultural exemption, was originally intended for the benefit of the farmer,

but has been abused and interpreted in such manner as to accord certain motor carriers a distinct competitive advantage over regulated carriers without benefit to the farmer. The advantage stems principally from the fact that exempt carriers are free to go wherever business is available and may adjust their rates in secret from day to day, as may prove most advantageous. Regulated carriers do not have similar freedom.

The agricultural exemptions are, therefore, responsible for a tremendous and rapidly growing diversion of important traffic from regulated carriers, including railroads.

We recommend that the exemption from economic regulation granted to motor transportation of certain agricultural and related commodities be narrowed so that, while it would continue to accommodate the real transportation needs of farmers, it would not unduly divert traffic from railroads and other regulated carriers. (The Cabinet Committee on Transport Policy and Organization recommended only that the Act be clarified.

Water Carrier Exemptions

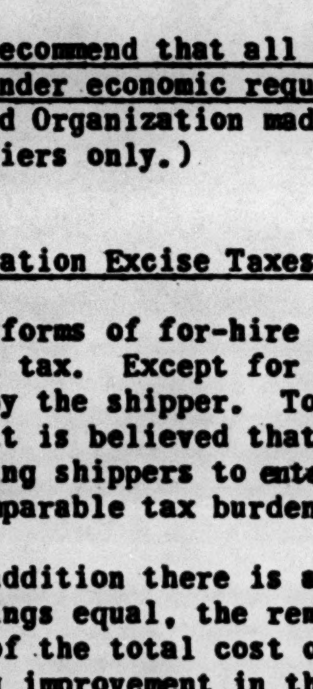
At present, certain for-hire water carriers of bulk commodities, both liquid and dry, are exempt from economic regulation. This exemption had its origin at a time when such carriers were not considered competitive with regulated common carriers. While the extent to which they are competitive is not certain even now, it is felt that the distribution of traffic among carriers should not depend on an advantage accruing to a particular type of carrier from the absence of regulation.

We recommend that all for-hire water carriers now exempt be brought under economic regulation. (The Cabinet Committee on Transport Policy and Organization made this recommendation with respect to dry bulk carriers only.)

Transportation Excise Taxes

All forms of for-hire carriage of freight are subject to a transportation tax. Except for pipelines, this tax is 3 percent of cost and is paid by the shipper. Together with other factors previously enumerated, it is believed that this tax has contributed significantly in influencing shippers to enter the field of private carriage where there is no comparable tax burden. It is, therefore, an undesirable tax.

In addition there is a 10 percent tax on the carrying of persons. Other things equal, the removal of this tax would either permit a reduction of the total cost of transportation to the passenger, with some resulting improvement in the volume of traffic and earnings, or, if not passed on to the customer, would directly increase the net income of the carriers. Either result would be beneficial to the industry.



We recommend the repeal, at the earliest practicable time, of the Federal excise taxes on the transportation of persons and property. (This recommendation was not made by the Cabinet Committee on Transport Policy and Organization.)

Rate-Making Policies

While the Government's regulatory functions cover a variety of matters directly affecting carriers under regulation, their most profound effect is to be seen in the regulatory agencies' determinations having to do with the establishment or change of rates. Railroad rates, like those of other common carriers, while always initiated by a carrier or group of carriers, are subject to review by the regulatory agency on its own motion or on complaint of anyone who is or seems to be affected.

Partially as a result of legislative enactment, partially as a result of administrative practice, there has grown up over the years a ponderous, slow moving, and frustrating procedure which has tended to make many requested rate changes so doubtful of accomplishment or so late in affording potential relief as to cause carriers to assume a less than aggressive rate change policy.

Rate regulation seems to have confined rate changes to those which cause as little disturbance as possible to existing patterns of freight distribution among types of carriage.

Because of the lack of precise statistical data on which to base their case, carriers have frequently sought general changes in rates rather than the specific rate changes that might be more helpful. Thus, a basic managerial function, that of establishing the price at which its services are to be offered to the public, has been impaired by government policy. As a result, shippers and the public have been denied access to services of maximum benefit at minimum cost.

The committee recognizes that more active rate and service competition would require the abandonment of some parts of the existing rail transportation capacity but accepts this result as the necessary cost of essential adjustments in the transportation system.

We recommend that the Administration support the enactment of legislation fostering rate policies which, by placing greater reliance on competitive forces, will lead to adjustments in, and effective utilization of, transportation capacity. (This repeats, with increased emphasis, a recommendation of the Cabinet Committee on Transport Policy and Organization.)

Financial Difficulties

This report has so far dealt with passenger services, private carriage, the agricultural exemption, transportation excise taxes, and rate making policies. Recommendations under these headings, if accomplished, would in the group's opinion ultimately but not immediately be of sufficient assistance to common carriers, including railroads, to obviate the need for government financial aid. The problem remains, however, whether transportation companies face immediate problems that require some type of special financial assistance.

Entirely apart from the effect on them of present business conditions, it appears that some railroads have for some years been suffering from serious equipment deficiencies which their financial capabilities have not permitted them to remedy on an individual basis. Accordingly, suggestions have been made for government assistance in various forms.

As a result of inquiry among lending agencies, we are convinced that there exists or can be created means by which sufficient amounts of investment capital will be available from private financial sources to correct this deficiency if depreciation schedules for tax purposes can be adjusted. This has application not only to railroads but to several other modes of transportation as well.

In the case of airlines, which do not have this need for depreciation adjustment, a necessary condition for achieving a satisfactory financial position is an increase in the permissible rate schedule, an issue now pending before the Civil Aeronautics Board.

As to railroads, a prime requirement seems to be freight cars with substantially improved performance capabilities. Because they are more expensive than the bulk of the cars being ordered by railroads today, and because an owning railroad contributes cars to the national pool without necessarily getting much advantage itself, there has been great reluctance to purchase cars, despite the fact that they can generate operating economies more than sufficient to repay their initial cost.

It has been suggested that a privately financed corporation jointly owned by the railroads which would own cars and lease them to individual railroads would be an effective solution of this problem. The existence of such a corporation would relieve the individual railroads of investing their own capital and would make this capital therefor available for fixed plant improvement, maintenance and other purposes in amounts believed sufficient to obviate the need for government assistance.

We recommend that depreciation schedules be established which will facilitate the private financing of rolling stock acquisitions. (This recommendation was not made by the Cabinet Committee on Transport Policy and Organization.)

We recommend, further, that the Federal government encourage the establishment of a corporation by the railroads, as outlined above, and that stand-by legislation be prepared and for the moment kept confidential which would authorize the Federal government to make financial assistance available to the corporation in the event of demonstrated need. (This recommendation was not made by the Cabinet Committee on Transport Policy and Organization.)

With respect to the possible need for direct emergency financial assistance to the railroads, the group has determined that government presently has no authority nor funds for this purpose. Section 302 of the Defense Production Act runs only to loans for the repair or replacement of damaged properties.

Accordingly, we recommend that plans, including a draft of appropriate legislation, be prepared for acquiring the authority and funds by which direct emergency financial aid could be extended by the Federal government in the field of transportation, but that these plans be held entirely confidential until such time (which, hopefully, will not come) when they might be needed. (This was not a recommendation of the Cabinet Committee on Transport Policy and Organization.)

Merger and Consolidation Restrictions

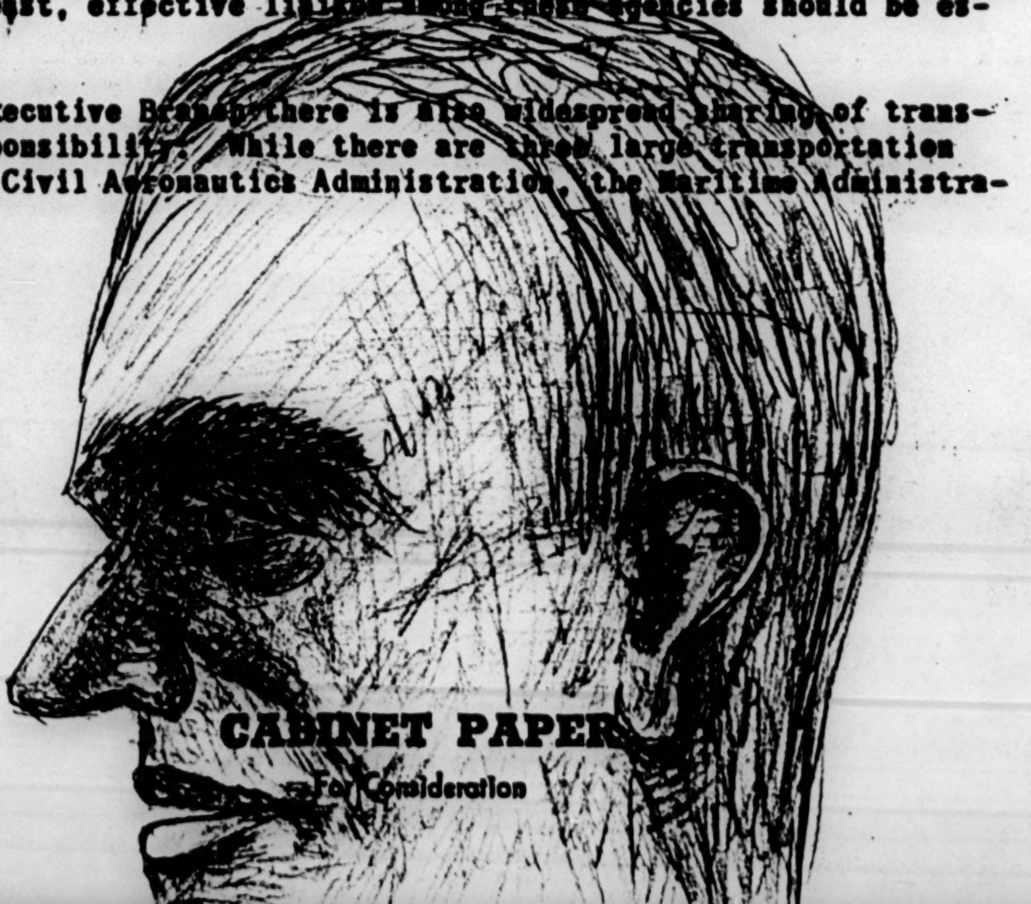
The law as it now stands permits mergers and consolidations of common carriers where the Interstate Commerce Commission finds such mergers and consolidations to be consistent with the public interest. Where the Commission has made such a finding, the anti-trust laws do not apply.

We conclude, therefore, that existing law does not unduly interfere with the opportunity to merge and consolidate, and that no legislative change is necessary.

Government Transportation Activities

Transportation interests frequently find it difficult to get more than partial answers to questions which they pose to Federal transportation agencies. A more effective means of discharging the government's transportation responsibilities and of being able to indicate its interest seems, therefore, not only desirable but necessary. Regulatory agencies in the field, Interstate Commerce Commission, Civil Aeronautics Board, Federal Maritime Board, now operate in a manner so wholly independent of one another that no consistent pattern of Federal regulation is achieved. At the very least, effective liaison among these agencies should be established.

In the Executive Branch there is also widespread sharing of transportation responsibility. While there are three large transportation agencies--the Civil Aeronautics Administration, the Maritime Administra-



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CABINET PAPER
For Consideration

tion, and the Bureau of Public Roads--in the Department of Commerce, there continue to be lodged in other agencies direct and correlary transportation activities including the non-regulatory activities of the Interstate Commerce Commission, the United States Coast Guard, the Panama Canal Company, the St. Lawrence Seaway Corporation, and the Alaska Railroad among others. Much would be gained by a consolidation of all non-regulatory transportation activities in one area.

We recommend, therefore, the centralization of all of the Federal government's civil non-regulatory activities in the field of transportation. (This recommendation was not made by the Cabinet Committee on Transport Policy and Organization.)

It would seem to be additionally desirable to have a substantial measure of cooperation and understanding between regulatory agencies and the Executive Branch. This has been achieved in the maritime field by the simple process of making the Chairman of the Federal Maritime Board ex officio administrator of the Maritime Administration. Further efficiency and substantial economies are achieved by having one staff serve both the Administration and the Board.

We recommend that wherever possible, arrangements similar to that wherein the Chairman of the Federal Maritime Board is ex officio the Maritime Administrator, be made with respect to the Interstate Commerce Commission, the Civil Aeronautics Board and their opposite numbers in the Executive Branch. (This recommendation was not included in the Report of the Cabinet Committee on Transport Policy and Organization.)

L. S. Rothschild
Louis S. Rothschild
Gordon Gray
Gordon Gray

Raymond J. Saulnier
Frederick C. Nash
Frederick C. Nash

IMMEDIATE RELEASE April 22, 1958

James C. Hagerty, Press Secretary to the President

THE WHITE HOUSE

THE WHITE HOUSE TODAY MADE PUBLIC THE FOLLOWING LETTER FROM THE PRESIDENT TO THE HONORABLE SINCLAIR WEEKS, SECRETARY OF COMMERCE

Dear Mr. Secretary:

I appreciate very much your sending me a copy of your proposed letter to the Chairman of the Surface Transportation Subcommittee of the Senate Committee on Interstate and Foreign Commerce.

The recommendations made by the Administration to solve the railroad problem and strengthen the transportation industry are in my judgment sound. The soundness of the proposal for temporary financial assistance depends, of course, upon the increased earnings expected to result from the other proposals. Adoption of the former without the latter would, therefore, be quite undesirable.

All the recommendations should be enacted into law with dispatch. I hope that no effort will be spared to achieve this result.

Sincerely,

/s/ Dwight D. Eisenhower

The Honorable Sinclair Weeks
Secretary of Commerce
Washington, D. C.

THE SECRETARY OF COMMERCE
WASHINGTON 25, D. C.

April 21, 1958

Dear Mr. President:

I have the honor to send for your consideration a copy of a letter which I propose to send to the Chairman of the Surface Transportation Subcommittee of the Senate Committee on Interstate and Foreign Commerce.

It contains Administration recommendations to solve the special problems of the railroads and strengthen the transportation industry as a whole.

I hope that if you are in agreement with these recommendations you will find it possible to give them your approval and support.

Respectfully yours,

Sinclair Weeks

Attachment

The President
The White House

THE SECRETARY OF COMMERCE
WASHINGTON

April 22, 1958

Honorable George A. Smathers
Chairman
Surface Transportation Subcommittee
Committee on Interstate and Foreign Commerce
United States Senate
Washington, D. C.

Dear Mr. Chairman:

This letter is submitted in connection with your Subcommittee's study of "The Deteriorating Railroad Situation." You were very kind to invite me to appear in person before your Subcommittee to testify concerning this important problem. I regret that I was unable to do so. This letter embodying the Administration's views is being sent instead. I sincerely hope that you will find it helpful.

The difficulties presently besetting the railroads stem in part from the current downturn in general economic activity. This downturn accounts for much of the sharp decline in carloadings since last September. There are, however, other causes of longer standing which have acted as a depressant upon the transportation industry and upon the railroad industry in particular.

Many steps have been taken to promote general recovery of the economy and it is expected that the desired improvement will not be long deferred.

But however effective these measures may be, they will not solve the special problems of the transportation industry. For these special problems, special solutions are required. Although the solutions recommended below are intended to meet the needs of the railroad industry, they will, when placed in effect also help to strengthen the transportation industry as a whole and to further the general objective of renewed and vigorous national economic growth.

Some indication of the gravity of the situation confronting the transportation industry, and the railroads in particular, appears in the following statistics. While corporate sales in all other industries, measured in dollars, increased about 3-1/2 times between 1929 and 1956, transportation sales, similarly measured, increased less than half that much. During the same period, corporate income after taxes in all other industries increased about 1-1/2 times but in transportation corporate income after taxes decreased about 50%. These declines occurred despite the fact that total intercity ton-miles of freight carried by all means of transportation more than kept pace with the growth in gross national product and despite the fact that total intercity passenger transportation by all kinds of carriers grew more than twice as fast as population.

In the railroad industry, the average ratio of operating income to operating revenue declined from 1929 to 1956 from about 18% to about 10% -- even though ton-miles of intercity freight carried by the railroads increased.

The Administration is convinced that, while the special problems of the railroads are in part due to increased competition and ill-advised practices of management and others, they are also due to long-standing governmental policies -- federal and local, regulatory and otherwise -- which have served to decrease their revenues, increase their costs and foreclose to them and to the public the benefits of increased efficiency which otherwise might have been achieved.

The Administration, accordingly, makes the following recommendations and urges their prompt consideration by the Congress:

1. Enlarged ICC Jurisdiction over Curtailment of Services --

   The Interstate Commerce Commission should have original and appellate jurisdiction over all curtailments of service and facilities affecting interstate commerce, including curtailments of passenger and commuter service and facilities.

2. Redefinition of Private Motor Carriage -- The definition in the Interstate Commerce Act of "private carrier by motor vehicle" should be amended to preclude the unfair competition which occurs today when certain for-hire carriers operate in the guise of private carriers.

3. Clarification of the Agricultural Exemption -- The agricultural exemption in the Interstate Commerce Act should be clarified with the object of accommodating the real needs of agriculture while preventing undue diversion of traffic from regulated carriers.

4. Revised Federal Rate-making Policies -- Federal rate-making policies should be revised to encourage more service and price competition while providing adequate minimum regulation.

5. Temporary Financial Assistance -- Federal guarantees (1) of short term private loans for cost-saving capital additions to, and improvement of, plant, facilities and equipment other than rolling stock (not to exceed $500 million), and (2) of equipment obligations for purchase of improved freight cars, up to 10% of the purchase price (not to exceed $200 million).

The Administration recognizes that, even if immediately effective, the first four recommendations will not for several years fully achieve their intended results. The railroads, however, must be able at once to commence cost saving programs which are not possible, without interim assistance, until the first four recommendations achieve substantial results. Recommendation number five is intended to make such cost saving programs immediately possible.

The last recommendation must be regarded, however, as integral with the others. Its financial soundness depends on the increased earnings expected to result from the preceding measures.

The repeal of Federal excise taxes on the transportation of persons and property, and the shortening for income tax purposes of depreciation schedules, while advantageous to transportation interests, should be considered only as part of a general tax revision program consistent with over-all fiscal policy. No recommendations are, therefore, being made in this area at this time.

There follows a detailed explanation of each recommendation.

Enlarged ICC Jurisdiction over Curtailment of Services

Rail carriers suffering deficits from the operation of persistently unprofitable services and facilities have requested that the Interstate Commerce Commission be authorized to permit the discontinuance or curtailment of such services and facilities when public need therefor no longer exists. Competing air, motor, and water carriers, as well as shippers, have supported the railroads in this request.

Continued operation of unprofitable services and facilities places an unreasonable burden on shippers as well as on carriers. For example, losses from passenger train services, which have been estimated to be as high as $750 million a year, must be recouped to the extent possible from freight operations. The result is higher freight rates. Moreover, increased freight rates divert traffic to carriers not encumbered by these unprofitable operations, thus deepening the railroads' troubles by depriving them of the traffic they are best adapted to carry at a profit.

Rail carriers have been unable to avoid these burdens primarily because of the inability or failure of State regulatory bodies to act promptly or at all in authorizing the discontinuance or curtailment of unprofitable operations. The Interstate Commerce Commission has jurisdiction to authorize the abandonment of "all or any portion of a line of railroad, or the operation thereof," but it does not have authority to permit carriers merely to discontinue or curtail a service. This authority, where it exists at all, is vested in State regulatory commissions. Even where they do have the authority, State commissions, because of pressure from local interests, have too often been reluctant to permit a discontinuance or curtailment. In some instances, such as those involving commuter traffic, the State commissions have not acted to evolve an alternative form of relief for the railroads.

The Presidential Advisory Committee on Transport Policy and Organization, recognizing the need for such relief, recommended that the Interstate Commerce Commission be empowered to set aside certain State service requirements if continuance of such service would result in a net revenue loss or otherwise unduly burden interstate and foreign commerce and if reasonably adequate alternative service would be available. Legislation to implement this recommendation was incorporated in bills submitted by the

Department of Commerce during the 84th and 85th Congresses. Extensive hearings were held on the House bill during the 84th Congress, but no action has been taken on the Senate bill, S. 1457.

S. 1457 would vest the Commission with authority over railroad services or facilities in intrastate commerce comparable to that which it now has under the Interstate Commerce Act over State imposed intrastate rates, fares, charges, etc., which are found to be an undue burden on interstate commerce. Such authority would be appellate in nature, for the Commission could not act until a State regulatory body denied an application for discontinuance or curtailment of a service or facility, or failed to act within 180 days after the filing of such an application.

The Administration is convinced that the Interstate Commerce Commission should also be given original jurisdiction over the discontinuance or curtailment of services and facilities. The continued operation of an unprofitable rail service ceases to be a problem for exclusive State or local solution when it imposes an undue burden on interstate commerce. It would also appear that the interests of interstate rail carriers or shippers should not be determined, even initially, by State Commissions where concurrent action by several State Commissions would be required to effect the curtailment or discontinuance or where a State Commission has previously demonstrated a clear inability or unwillingness to give proper recognition to interstate interests.

Giving the Interstate Commerce Commission both original and appellate jurisdiction would permit carriers to apply either directly to Federal authority or to a State Commission without losing their Federal remedy.

The Administration recommends, therefore, that the Interstate Commerce Commission be given both original and appellate jurisdiction to authorize the curtailment or discontinuance of rail services (including commuter services), and the abandonment of facilities used in connection therewith, which are in intrastate or interstate commerce and which impose an undue burden on interstate commerce, provided that reasonably adequate alternative services are available.

Redefinition of Private Motor Carriage

Rail carriers have protested that for-hire transportation performed under the guise or subterfuge of private carriage is unjustifiably diverting traffic from regulated for-hire carriers and is disrupting their rate structures. The railroads have been joined by other regulated for-hire carriers in requesting that the Interstate Commerce Act be amended to afford relief from this abuse.

The activity denounced by the railroads usually takes the form of what is known as the "buy-and-sell" method. Bills of sale, invoices, etc., are issued to make it appear that the property being transported belongs to the owner of the vehicle transporting it. Also, manufacturers and mercantile establishments, which deliver in their own trucks articles they manufacture or sell, quite frequently purchase merchandise at or near their point of delivery and transport it to their home terminal for sale to others.

The Interstate Commerce Commission has stated that private carriage used as a subterfuge for public transportation constitutes a growing menace to shippers and carriers alike, is injurious to sound public transportation, promotes discrimination between shippers, and threatens sound rate structures.

Although certain of these operations have been struck down by the courts, there is no uniformity in the decisions. The Commission, in its Annual Reports since 1953, has stated that it cannot "effectively cope with this problem without some changes in the Act." Last year the Commission for the first time submitted legislation to meet this problem. Hearings on the bill (S. 1677) were held in the Congress, but no further action has been taken.

The Presidential Advisory Committee on Transport Policy and Organization previously had recommended relief from these evils by an amendment of the Interstate Commerce Act definition of "private carrier by motor vehicle." Legislation incorporating this recommendation

(S. 1457) was introduced in the 84th and 85th Congresses. Except for hearings in the House during the 84th Congress, no further action has been taken.

The Commission and the Department of Commerce have repeatedly made it clear that the legislation submitted by them is not designed to affect bona fide private carriage. Despite these assurances, certain groups of private carriers oppose this legislation. They contend that the problem is one of enforcement rather than legislation, and that any modification of existing law would upset the "primary business test" applied in Brooks Transportation Co. v. United States, 340 U.S. 925.

Library

No extended comment on the first of these objections is required. The Commission has stated time and time again that it cannot cope with the problem without legislation. The Commission reiterated this view in testimony on March 28, 1958.

To meet the second objection, the Transportation Association of America at the hearings on S. 1677 presented an alternative proposal which would amend the Interstate Commerce Act to incorporate the primary business test. The Commission stated on March 28th that it was already on record in support of either S. 1677 or the T.A.A. proposal if modified in certain minor respects. Certain of the rail carriers have also endorsed the T.A.A. proposal.

The Department of Commerce stated at the hearings on S. 1677 that certain phrases in that bill would be difficult to interpret and administer. The Department also stated, however, that it did not seek only its own bill (S. 1457), and that it would be agreeable to an alternative proposal which would accomplish the Advisory Committee's objective.

To enhance the probability of legislation in this field, the Administration recommends enactment of the T.A.A. proposal, modified as suggested by the Commission.

Agricultural Commodities Exemption

There has been considerable controversy with respect to the "agricultural commodities exemption" embodied in Section 203(b)(6) of the Interstate Commerce Act. The railroads and regulated motor carriers, as well as the Interstate Commerce Commission, contend that Congress did not intend that the exemption include processed commodities such as some of those declared by the courts in recent years to be exempt. They maintain that Congress intended the exemption merely to serve as an aid to the farmers in marketing their products.

Some agricultural interests contend, on the other hand, that Congress intended that many processed (but not manufactured) agricultural commodities be exempt. They cite the need for flexibility in marketing agricultural commodities, including processed commodities.

The regulated transportation groups are also concerned lest the exemption be further broadened by judicial interpretation to include additional significant groups of commodities, such as canned foods. Major agricultural interests have indicated that they do not seek further substantial broadening of the exemption, and there appears to be no evidence that any producing groups desire such further broadening.

In view of the situation which currently exists, the Administration recommends that Congress take action which would remove the threat of further expansion of the exemption while still retaining for agriculture the benefits which accrue from the use of exempt motor carriers in marketing those commodities presently considered exe

Revised Federal Rate-making Policies

The revolution which has taken place in the transportatior industry is described in the report of the Presidential Advisory Committee on Transport Policy and Organization. Even as late as 1920, the railroads enjoyed a virtual monopoly of intercity transpo tation. Since that time, however, a wide selection of transportatio facilities for the carriage of persons and property has developed. The result is that today extensive competition exists throughout the economy among modes of transportation.

The Advisory Committee's report noted that, notwithstanding this revolution, governmental policies still held "regulated competitive forces within a tight rein." The Committee recommended relaxation of those reins to reflect present day realities. It held that the changed character of transport organization and the development of greatly increased regulated and unregulated service and cost competition made it unnecessary, in the public interest, to continue the contemporary scope of rate controls.

As a first and essential step it was recommended that the National Transportation Policy be revised so as (1) to assure the maintenance of a national transportation system adequate for an expanding economy and for the national security, (2) to place greater reliance on competitive forces in transportation pricing, (3) to reduce economic regulation of transportation to the minimum consistent with the public interest, and (4) to assure fair and impartial economic regulation.

The report also recommended repeal of the rule of rate making (section 15a of the Interstate Commerce Act) and continuation of regulatory authority:

(1) To prescribe for common carriers subject to the Interstate Commerce Act minimum rates which would not be less than just and reasonable;

(2) To prescribe for such common carriers maximum rates which would not be more than just and reasonable; and

(3) To review existing and future rate relationships, including those between intrastate and interstate commerce, and where necessary, to require their adjustment to avoid unjust discrimination or undue preference.

These recommendations were embodied in bills introduced in the 84th and 85th Congresses. None has been enacted.

The objectives underlying them, nevertheless, are still of the utmost importance today. Competition constitutes a main source of our economic strength. Unless regulatory policies permit maximum competition consistent with the admittedly necessary regulation of carriers who owe their existence to government franchise, our transportation system will be still further weakened.

The Interstate Commerce Commission seems to regard some price and service competition as an effective means of channeling traffic to modes of transportation best adapted to handle it. The Commission, however, does not appear to realize the full value of price and service competition as a source of strength for the system. Predatory competitive practices are recognized by the Commission as evils it has a duty to eliminate; but it condemns as predatory, competitive practices which elsewhere in the Government and the economy would be considered legitimate and a source of strength.

For example, the Commission apparently holds the view that in order to maintain a strong transportation system, as it is directed to do by the Congress, it must protect the lower cost carrier by preventing the higher cost carrier from reducing its rates below those of the former more than is necessary to compensate for differences in service. The Commission seems to have applied this principle particularly where the commodity involved, because of value or other characteristics, can stand a higher rate than would otherwise be set on the basis of mere size, weight and shape. This theory appears to be justified by the Commission on one or more of several grounds. It is claimed that price wars can best be prevented by stopping them before they start; or that the low cost carrier's profits must be protected to offset losses elsewhere; or that the public interest would not be served by a diversion of such traffic from a low cost to a supposedly less efficient (higher cost) carrier. Whatever the reason, competition is outlawed which would not be considered predatory outside of the transportation industry.

Conceding that in some respects these policies are paternalistic, the Commission appears to justify them partly on the ground that competitors need this kind of protection to prevent them from destroying themselves by competitive excesses.

This philosophy is not consistent with our basic economic principles and cannot be justified by the fact that carriers are public utilities which depend for their existence on government franchise.

To be prevented from destroying itself, competition admittedly needs regulation, but not regulation that injures or destroys what it seeks to preserve. Beyond the utility and transportation fields, the anti-trust laws prevent competitors from adopting practices which tend to eliminate competition or which have as an object the injury or destruction of a competitor. This type of regulation and this type alone is all that the Interstate Commerce Commission need apply (possibly with some adaptation) to prevent competitive excesses without preventing competition.

The legislation to implement the recommendations of the Presidential Advisory Committee in this area somewhat exceeded this limited requirement. It embodied the so-called "three shall not" rule which, if enacted, would have prevented the Commission, in determining what is less than a reasonable minimum charge, from considering (1) the effect of the charge in question on the traffic of another carrier, (2) its relation to the charge of any other carrier, and (3) whether the charge were lower than necessary to meet the competition of any other carrier.

Under this rule the Commission would appear helpless to prevent practices by carriers which could be stopped under the anti-trust laws if the competitors were not carriers. A "three shall not" rule, if made applicable outside the transportation field, would seem to conflict with provisions of the anti-trust laws applicable to the rest of industry, which require consideration of the effect of unreasonably low prices on competition.

The legislation to implement the Presidential Advisory Committee Report was offered merely as a study document for the consideration of the Congress. The Administration has also had it under study. As a result, it is now making a recommendation in place of the "three shall not" rule.

The recommendations of the Presidential Advisory Committee set forth above on page 9 are repeated. Instead of the "three shall not" rule, it is urged that the Congress enact legislation which would permit the Interstate Commerce Commission, in determining what is less than a reasonable minimum charge, to take into consideration the effect of a rate on competition or on a competitor only where its effect might be substantially to lessen competition or tend to create a monopoly in the transportation industry or where the rate was established for the purpose of eliminating or injuring a competitor.

Acting under the guidance of a revised policy declaration emphasizing reliance on competitive factors in rate making, the Commission would then create an atmosphere in which price and service competition would produce better service at a lower cost and at the same time encourage the sound growth of all elements of the transportation system.

Temporary Financial Assistance

For various reasons, many railroads have been unable adequately to modernize and improve their plant, facilities and equipment, including rolling stock. In times of good business, railroads have often suffered from a shortage of freight cars; and, in periods of both good and bad business, substantial economies which could have been brought about by the purchase and use of improved facilities, equipment and freight cars have been deferred or given up because of lack of money. Many of these improvements would earn substantial rates of return on the investment, but the funds to finance them have not been available.

1. In order to assist in making additional investment capital available to railroads which have been unable otherwise to secure it, the Government should be authorized to guarantee up to 100% of loans by private lending institutions in an aggregate amount not to exceed $500 million, the proceeds of which would be available for capital additions to and improvement of plant, facilities and equipment other than rolling stock. Such loans should have a maturity of not more than 5 years. To be eligible for such a loan, the borrower should be required to establish that the anticipated savings from the additions or improvements would in 5 years be sufficient to equal or exceed the amount of the loan.

Such a guarantee would be made by the Secretary of Commerce on terms and conditions prescribed by him with the approval of the Secretary of the Treasury, but only after the Secretary of Commerce has satisfied himself:

(a) Upon consultation with the Interstate Commerce

Commission, that the proposed capital additions and improvements are feasible and should result in the required savings;

(b) that the railroad has actively sought to obtain the needed funds from private sources and has been unable to obtain them on reasonable terms otherwise than with the requested Government guarantee; and

(c) that there is reasonable assurance of repayment of the loan.

2. In order to assist in increasing the available supply of freight cars, the Government should be authorized to guarantee equipment obligations of individual railroads or groups of railroads issued for the purpose of financing the acquisition of freight cars. Each guarantee should be limited to not more than 10% of the purchase price and the aggregate amount of all guarantees should not exceed $200 million. These guarantees should, to the extent possible, be confined to purchasers who will specify improved performance capabilities when placing their orders.

Such a guarantee would be made by the Secretary of Commerce on terms and conditions prescribed by him with the approval of the Secretary of the Treasury, but only after the Secretary of Commerce has satisfied himself:

(a) upon consultation with the Interstate Commerce Commission, as to the improved performance capabilities of the freight cars to be purchased;

(b) that the railroad or group of railroads would not be able to make the purchase, or obtain the funds therefor, on reasonable terms otherwise than with the requested government guarantee; and

(c) that there is reasonable assurance of payment of the equipment obligations to be guaranteed.

The authority of the Secretary of Commerce under both 1 and 2 above should terminate on June 30, 1961.

The Administration recommends, therefore, that legislation be enacted authorizing the Secretary of Commerce to guarantee loans and equipment obligations as outlined above.

The Secretary of Commerce should render semi-annual reports of his operation under these authorities to the President and the Congress.

* * * * * * *

In conclusion, I should like to comment on some other suggested solutions of the railroad problem.

One such solution relates to mergers and consolidations. The law as it now stands permits mergers and consolidations of common carriers where the Interstate Commerce Commission finds such mergers and consolidations to be consistent with the public interest. Where the Commission has made such a finding, the anti-trust laws do not apply. The Administration concludes, therefore, that existing law does not unduly interfere with the opportunity to merge and consolidate, and that, while merger or consolidation would doubtless be of substantial benefit to some segments of the railroad industry and should where appropriate be encouraged, no legislative change is necessary.

Another suggested solution is the imposition of charges on competitors of the railroads and others who use transportation facilities supported by the Federal government. The Administration recently transmitted proposed legislation to the Congress for a program of charges on the users of the Federal airway system. The Department of Commerce has underway a study of the question of imposition of charges on the users of Federally improved inland waterway facilities. Charges are now collected by the Federal government from the users of Federal aid highways and the Department of Commerce at the request of Congress is currently engaged in a study of the equitable distribution of highway costs among the several classes of highway users. The Administration, therefore, is not recommending anything further in this area at this time.

In this connection, it should be made clear that highway user charges, proposed airway user charges and possible additional user charges, although they might conceivably have a beneficial effect on railroads, are not and should not be fixed or collected by the Federal government to achieve any such effect. Instead, they are to provide and only to provide appropriate payment for such government improvements by those who benefit from them.

The Administration is confident that the measures recommended by it here will be of material assistance in solving the special problems of the railroads and in strengthening the transportation industry as a whole.

Sincerely yours,

Sinclair Weeks
Secretary of Commerce

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CA - 58-102

April 17, 1958

The White House
Washington

THE CABINET

Agenda

1.	Proposed Reorganization Plan Consolidating the Office of Defense Mobilization and the Federal Civil Defense Administration	CI - 58-54	The Director, Bureau of the Budget
2.	The Budget Outlook	(Oral)	The Director, Bureau of the Budget
3.	Proposed General Policies for Stockpiling	CP - 58-78	The Director, Office of Defense Mobilization
4.	Speeches by Cabinet Members	(Oral)	Honorable Howard Pyle
5.	Action Status Report	CI - 58-7/5	The Secretary to the Cabinet

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-11-76

~~CONFIDENTIAL~~

MINUTES OF CABINET MEETING

April 18, 1958
9:00 A. M. -- 10:40 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. Herter
(for Sec. Dulles)
Sec. Anderson
Deputy Sec. Quarles
(for Sec. McElroy)
Mr. Rogers
Mr. Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Asst. Sec. Richardson
(for Sec. Folsom)

Director Stans
Mr. Gordon Gray
Amb. Lodge
Dr. Saulnier

Hon. George Allen, USIA
Adm. Strauss, AEC
Mr. James Lay, NSC
Gov. Leo Hoegh, FCDA
Hon. Sumner Whittier, VA, in part
Mr. Merriam, Budget
Hon. Albert Cole, HHFA, in part
Dr. Alan Waterman, NSF, in part
Hon. Franklin G. Floete, GSA, in part

Gov. Adams
Mr. Rabb
Gen. Goodpaster, in part
Mr. Hagerty, in part
Dr. Hauge, in part
Gov. Pyle, in part
Dr. Killian
Mr. Siciliano
Mr. Randall
Mr. McCabe
Mrs. Wheaton
Mr. Robert Gray
Mr. Jack Martin
Mr. Jack Anderson
Mr. Patterson
Mr. Minnich

ODM-FCDA Reorganization Plan (CI 58-54) - Mr. Stans informed the Cabinet of the intent to submit to Congress a reorganization plan merging ODM and FCDA. Decision to do so had been reached following study by a private firm of management engineers, the President's Advisory Committee on Government Organization, and the Bureau of the Budget. Mr. Stans stated that ODM and FCDA are in complete agreement on the merger which is necessary in order to provide unified guidance on these closely related activities.

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By DHC NLE, Date 8-11-76

Mr. Gray told the President that personnel savings could not be guaranteed, though some minor ones might be expected. The main purpose was to improve the quality of the work of the two present organizations.

Mr. Gray stated his dislike of the proposed name -- Office of Civilian Mobilization -- since it tended to obscure the continuing functions involving mobilization of production for defense purposes and coordination with civilian requirements. The President tended to concur in Mr. Gray's point and directed that further attention be given to the proposed name.

Sec. Quarles called attention to Defense Department's interest in seeing continued the present ODM "judicial" functions which are separate from civilian defense aspects. The President indicated that further discussions should include a representative of the Defense Department.

Budget Outlook - Mr. Stans set forth in considerable detail the various items that have been undertaken or proposed since formulation of the budget last January. On the basis of all items that may be reasonably expected to materialize, and considering shortfalls in tax receipts, he predicted a deficit for 1958 of $2.8 billion and for 1959 of $9.2 billion. These predictions also assumed an absence of tax reductions, recovery of the economy, maintenance of present price levels, and unchanged international conditions.

Looking still further ahead, he projected a deficit of $4.5 billion for 1960, $.5 billion for 1961, and eventually a surplus of $2.5 billion for 1962. In 1962 he foresaw receipts totaling $83.5 billion and expenditures in the neighborhood of $81 billion. The President immediately commented that work would have to be done to reduce the expenditure figure. Mr. Anderson cautioned that reductions could only be accomplished in an area that is a mere 17% of the total budget. Mr. Quarles thought that Defense figures used in compiling the total were not inevitable and might be somewhat reduced.

The President, after Mr. Stans urged Cabinet members to keep these projections in mind in making their decisions for the 1960 requests, reminded the Cabinet that even though Congress is currently in a spending mood, each department head had the responsibility of looking forward eighteen months, or three years, to the time when Congress will be in a great economy cycle, so as to protect against uneconomic lopping off of projects too readily initiated now. The President had some slight hope that if the organizational improvements could be obtained they will be able to accomplish certain economies which would accumulate in effect through the years.

The President ascertained that these projections of expenditures were as firm as possible, then suggested it would be useful to obtain public understanding of the fact that budgets in the neighborhood of $80 billion are soon to come.

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By jcl NLE, Date 11/20/78

Stockpiling Policy (CP 58-78) - Mr. Gray went over this paper paragraph by paragraph, after first noting that it had obtained about the maximum of concurrences possible when eighteen agencies are involved. Significant discussion occurred as noted in the following paragraphs.

Mr. Gray cautioned several times against rushing into any program for stockpiling for relief and rehabilitation as suggested in the annex, since there would seem to be no limit for such a program. Although the Defense Mobilization Board had seemed to favor this, he personally would not recommend it until it had considerable further study. Sec. Weeks subsequently reaffirmed this caution.

It was noted that the Defense Department wished it understood, in connection with No. 5, that requirements for non-essential civilian consumption would be excluded from stockpile calculations. Similarly, State and USIA desired that ODM not exclude reasonable amounts of vital exports to allied nations.

Mr. Gray stated, and the President firmly agreed, that there should be no rush to stockpile new items resulting from metallurgical developments until a lasting usefulness could be established, thus avoiding the mistake of the big titanium program initiated some years ago.

Concerning upgrading of materials, Sec. Weeks stated his concurrence in the revised language in the paper.

Concerning disposal of excess stockpile materials, Mr. Gray asked authority to begin to prepare for a future orderly reduction of stockpiles. He emphasized that ODM was not presently asking for any change in legislation but would do so at an appropriate time and that Presidential approval would be obtained for each action taken in any future reduction program. Sec. Anderson agreed that the Administration should have flexible authority. He noted that exceeding safeguards against disposal had prevented considerable trouble in the metals market. He hoped to have opportunity to discuss this further with Mr. Gray.

Sec. Seaton emphasized that there should be no disclosure of the fact that disposal policy was being reconsidered. Mr. Gray concurred and suggested that any necessary statements on the matter be limited to the factual statement that there has been no change in policy. The President stated his continuing concern as to whether it would ever be possible to get the American mining industry in a sound condition and whether relief measures were really worthwhile.

Regarding declassification of stockpile data, Mr. Gray emphasized that his influence would be on the side of extensive declassification.

Public addresses - Gov. Pyle reported on the need for further attention, particularly by the immediate assistants of Cabinet members, to seizing opportunities for presenting the Administration viewpoint.

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E.O. 11652, Section 1

By DHC NLE, Date 8-11-76

The President ascertained that Cabinet members were themselves doing about as much as possible in this regard. He agreed with Mr. Rogers' suggestion that greater attention be given to encouraging groups to invite good, but lesser known, Government officials to fill their platforms. The President thought this might be helped along by developing opportunities for these newer people to accompany better known officials until established on their own.

Cabinet Action Status Report (CI 58-7/5) - Mr. Rabb called attention to the current Report on Status of Cabinet Actions and suggested that each member look through it so as to satisfy himself that actions assigned to his department were being properly fulfilled.

The President confirmed the importance of following up on these actions and then recounted the difficulty that Sec. Forrestal always seemed to experience for the lack of any sort of secretariat organization within the White House.

* * * *

The President called attention to a memorandum from Sec. Dulles concerning the flow of social invitations being issued by the new Russian Ambassador to high Government officials. The President pointed out that there was no practice in Moscow of personal calls between Amb. Thompson and Soviet officials, and that such indeed was undesirable since it would create opportunities for wedge-driving between the allies. It was indicated that an occasional acceptance of an invitation to a musicale or reception would be in order but that it seemed desirable to continue an attitude of being "polite but somewhat reserved".

Amb. Lodge, particularly, noted his own "hands off" practice in view of the continuing attacks on the United States in the Soviet press.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

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RA - 58-102

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THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, April 18, 1958:

1. Proposed Reorganization Plan Consolidating the Office of Defense Mobilization and the Federal Civil Defense Administration CI - 58-54

   ACTION:

   a) The Cabinet noted the explanation of the reorganization.

   b) The interested officers will further explore other alternative names for the new organization.

2. The Budget Outlook

   ACTION:

   a) The Cabinet noted the sobering presentation by the Director of the Bureau of the Budget, and especially his conclusion that decisions made now will greatly affect not only the budget for FY 1960 but those in the two years to follow.

   b) It was noted that the Director of the Bureau of the Budget will shortly send out a letter asking each Department and Agency head for his policy and program assumptions and expenditure estimates for FY 1960. The letter will set a May 12 deadline in order that a full analysis of any issues involved in the FY 1960 budget can be presented promptly to the President for decision.

   c) In order to minimize unnecessary debate in the coming months, each Cabinet officer and major Agency head should personally participate now in the policy review and program analysis which his agency will be making in response to the above-mentioned letter.

   d) It was further suggested that in answering the above letter, Department and Agency heads should distinguish between proposed program expenditures which might have an anti-recession effect and any others proposed for the longer range national good. Those in the latter category should meet a very strict test of need.

   e) The President asked that in making the review and analysis (referred to in "c" above) each agency head should consider the Congressional and national mood not only of today but also of the future, and should be concerned with the implications of a renewed "economy" drive for the level of activity of departmental programs, for the Administration generally and for each agency head particularly.

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f) With respect to public discussion of the general budget outlook portrayed by the Director's presentation, it was agreed that the phrase "approaching 80 billion dollars annually" would be a proper description of the grave situation in the offing.

3. Proposed General Policies for Stockpiling CP - 58-78

ACTION:

With respect to Cabinet Paper 58-78 (paragraphs 5 and 10 having been revised), and in the light of the statement by the Director of the Office of Defense Mobilization that the policies proposed would not at present have a major budgetary impact, it was agreed that:

a) There was no objection to Section 1.

b) Sections 2, 3 and 4 will be acted upon by the National Security Council.

c) Section 5 was approved with the understandings:

  i) That calculations of non-essential civilian consumption will be excluded.

  ii) That essential exports can be included in the calculations where free world countries are normally dependent upon the United States for supplies.

d) There was no objection to Section 6.

e) There was no objection to Section 7.

f) Section 8 was approved, it being noted that the Materials Advisory Board of the National Academy of Sciences would be used as a source of objective scientific advice.

g) Section 9 was approved with the words "or lesser" inserted before "allowance" in the ninth line, and with the understanding that at present only four ores (ferromolybdenum, molybdenum oxide, tungsten carbide powder and ferrovanadium) are expected to receive this treatment.

h) Section 10 was approved as new policy for the future, and the last sentence of Section 10 was emphasized. Cabinet members are reminded that there is to be no disclosure whatever that this subject has been under consideration; any inquiries are to be met with the statement, which is in fact accurate, that "present policy remains unchanged."

i) There was no objection to Section 11, but emphasis was laid on the fact that actions here are to be governed by the policies in Section 10.

j) There was no objection to Section 12, it having been noted that the Council on Foreign Economic Policy is now completing a study of the need for the supplemental stockpile and of the policy criteria and procedures with respect thereto.

k) There was no objection to Section 13; the Administrator of General Services may subsequently make a progress report on this matter to the Cabinet (cf RA - 57-83, Item 2-b).

l) There was no objection to Section 14, it being understood that the Director of the Office of Defense Mobilization will make these decisions only with the concurrence of the agencies concerned.

m) The policy statement set forth in the Annex to CP - 58-78 will be the subject of further study by the interested agencies and of subsequent Cabinet consideration, the matter having been raised at this point to make sure that the Cabinet is fully aware of this problem and of its far-reaching implications.

4. Speeches by Cabinet Members

ACTION:

a) Members of the Cabinet will continue to accept important speaking invitations to the maximum extent feasible . They will also encourage their principal subordinates to give increased attention to speaking opportunities, and to take advantage of them to the greatest extent possible.

b) Consideration is also to be given to developing opportunities for lesser known policy officers to participate on these occasions.

5. Action Status Report CI - 58-7/5

ACTION:

a) The Report was noted by the Cabinet; the President underscored the reminder made by the Secretary to the Cabinet that each Member should look through the Report carefully, particularly Sections Q and R.

b) The President emphasized his interest in the assistance provided by this kind of secretariat work.

Maxwell M. Rabb
Secretary to the Cabinet

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THE SECRETARY OF STATE
WASHINGTON

April 7, 1958

MEMORANDUM FOR THE PRESIDENT
THE WHITE HOUSE

Subject: Social Contacts of Soviet Ambassador Menshikov with High United States Officials

Following our conversation of March 28, the Department asked Ambassador Thompson for his views on the advisability of informing Soviet Ambassador Menshikov that we did not look with favor upon the issuance or acceptance of invitations to Cabinet officers and other high officials unless and until Ambassador Thompson had similar opportunities to see comparable Soviet officials.

Ambassador Thompson states that at receptions he meets members of the Party Presidium, the only officials comparable to our Cabinet officers. He does not deem it advisable to pay calls on them or have them to meals, as he thinks the Soviets could exploit some of his NATO colleagues who would follow suit for the purpose of disrupting Western unity. I support this view.

Ambassador Thompson has, however, recently entertained members of the U.S.S.R. Council of Ministers. In view of his apparent access to high Soviet governmental officials, I recommend that we not approach Ambassador Menshikov at this time with regard to his invitations to United States officials.

Nonetheless, in view of the public attacks being made on you and the United States by Khrushchev et al. (e.g., at Minsk and Budapest) and the Soviets' evident desire for acceptance in Latin America, I think that our official attitude toward Ambassador Menshikov should be somewhat reserved. Therefore, I suggest that we advise members of the Cabinet individually to avoid accepting invitations to meals, but to accept, if they wish, occasional invitations to receptions. You may wish to take this matter up in a Cabinet meeting.

OK
DE

John Foster Dulles

[illegible] Raised at Cabinet

COMMENTS OF PRESIDENT DWIGHT D. EISENHOWER

on the Action Status Report at the

Cabinet Meeting of Friday, April 18, 1958

/Following Mr. Rabb's summation of the purpose and importance of the Status Report/

"I want to put in a word behind that.

"Not many of you had the opportunity as I did to be involved with the Cabinet meetings of the former Administration. Cabinet meetings in the former Administration were the darndest bores you ever saw -- there was nothing ----

"One of the great crosses that Secretary Forrestal had to bear was his effort to get a secretariat organized in the White House -- and the White House staff kicked him clear out of the building on it. He tried again and again and again. Defense never knew the action status of any Cabinet matter -- except by getting up a special order, by going in to the President and making him sign a specific piece of paper.

"We have made a great amount of progress. This shows how wise it is to be careful about looking through this Report."

April 18, 1958 - CABINET

MMR Remarks on Cabinet Action Status Report - CI - 58-7/5

For a brief moment, I would like to call your attention to a very important Cabinet Paper which has recently been sent to each of you. This is the Action Status Report (Cabinet Information Paper 58-7/5).

This is the sixth Status Report which the Cabinet Secretariat has prepared. The Report covers the decisions and assignments made here by the President during the past twelve months. In a brief paragraph, it gives the follow-up status of each of them. Nearly every Department has a section in it -- where the assignments made to that Department Head are listed.

The purpose of the Status Report is to help all of us follow through on Cabinet assignments -- in order especially that you, Mr. President, can be spared what you described in your famous remark as "the soldier's horror of issuing an order but finding that it has evaporated in execution."

implementation good

Frankly, there are several ~~[illegible]~~ areas in this Status Report where our follow-through has not been "up to scratch". We have discussed these with the Assistant to the President and understand that measures are underway to correct the deficiencies.

Each you will find it profitable to look through this paper -- to ~~[illegible]~~ satisfy yourself personally that the assignments made to your Department are being handled adequately, and to refresh your memories about assignments made to others which are of official interest to you.

You will also wish to refer to sections Q and R in the Status Report -- which deal with general action assignments of ~~[illegible]~~ concern to all the Departments.

THE WHITE HOUSE
WASHINGTON

April 17, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for April 18, 1958

The following items are listed on the Cabinet agenda for April 18:

1. **Proposed Reorganization Plan Consolidating the Office of Defense Mobilization and the Federal Civil Defense Administration** (Mr. Stans)

This is strictly an information briefing.

You have just approved the recommendation of the Rockefeller Committee on a major change in the Executive Office of the President -- the combining of ODM and FCDA into a new Presidential staff office for non-military defense. This progressive and long-needed step, however, also affects most of the Cabinet Members as well, since they have had major "delegations" of both responsibilities, funds and staff, from FCDA and ODM. The mobilization and civil defense effort embodies a very high degree of interdepartmental collaboration; such collaboration deserves advance explanation of this new reorganization before it is taken up with the Leadership and transmitted to the Congress.

PRESENTATION TIME: 5 minutes

2. **The Budget Outlook** (Mr. Stans)

At the Cabinet meeting of March 28, Mr. Stans promised you and the Cabinet to present in the early future a crucial study which he has been making of the long-range trends in Federal expenditures, i.e., FY 1960-62. He is gravely concerned at the direction the curves are taking and wishes you and the Cabinet to be informed and to give guidance to the Bureau and the Administration before the preparations for the FY 1960 budget get fully underway.

So important is this presentation to the agencies' preparation of their FY 1960 estimates, that Mr. Stans has asked that Messrs. Floete, Whittier, Allen, Cole, and Waterman attend the meeting ad hoc for this item.

PRESENTATION TIME: 25 minutes

3. Proposed General Policies for Stockpiling (Mr. Gray)

Last January 29, Director Gray released the report and recommendations of the Special Stockpile (Public) Advisory Committee chaired by Mr. Holman T. Pettibone. Since then, he and the Defense Mobilization Board have been going over the recommendations made in that report and have firmed up, at the highest staff level, the proposed Administration position on these recommendations. This subject has come to Cabinet very frequently in the past. An advance Cabinet paper summarizes the recommendations Mr. Gray will make as the basis for the discussion and for your decisions.

PRESENTATION TIME: 20 minutes

4. Speeches by Cabinet Members (Governor Pyle)

This is the quarterly status report on speechmaking activity by Cabinet Members which Governor Pyle prepares. He feels it is more timely than ever and that it is essential to make this report again. Governor Pyle is frankly concerned at the growing number of speeches made by the opposition as compared with an insufficiency of top Administration spokesmen at a time when it is vital to get our story out. He will point out that there is no dearth of invitations to the Cabinet; it is the acceptances which are disappointing.

PRESENTATION TIME: 5 minutes

5. Action Status Report (Mr. Rabb)

This is the periodic report of the Cabinet Secretariat on the actions taken in implementation of Presidential decisions made at Cabinet meetings. It is listed on the agenda simply in order to call attention to it and to any lags in carrying out decisions.

I have sent Governor Adams a special copy of this report under cover of a personal memorandum pointing out to him certain areas where there has been a really serious lack of follow-through. He has already acted to start correcting these deficiencies.

PRESENTATION TIME: 5 minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

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CI - 58-54

April 16, 1958

The White House

Washington

THE CABINET

Proposed Reorganization Plan Consolidating the Office of Defense Mobilization and the Federal Civil Defense Administration

For information of the members of the Cabinet, attached is a paper prepared by the Director of the Bureau of the Budget.

This paper describes in general terms the reorganization, which has been decided upon by the President, involving directly the Office of Defense Mobilization and the Federal Civil Defense Administration, and indirectly the delegate agencies in the defense mobilization and civil defense areas.

The reorganization described here has been undertaken upon the recommendation of the President's Advisory Committee on Government Organization, after a thorough study.

The attached paper will be the basis for an explanation of the new reorganization for the information of the Cabinet at the coming meeting, whereupon it will be discussed with the Republican leadership and submitted to the Congress.

Special precautions should be taken to preserve the privileged nature of this document.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

CI - 58-54

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April 16, 1958

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THE CABINET

Proposed Reorganization Plan Consolidating the Office of Defense Mobilization and the Federal Civil Defense Administration

Purpose: The Reorganization Plan was prepared at the direction of the President to carry out his statement in the 1959 Budget Message as follows:

> "The structure of Federal organization for the planning, coordination, and conduct of our nonmilitary defense programs has been reviewed, and I have concluded that the existing statutes assigning responsibilities for the central coordination and direction of these programs are out of date. The rapid technical advances of military science have led to a serious overlap among agencies carrying on these leadership and planning functions. Because the situation will continue to change and because these functions transcend the responsibility of any single department or agency, I have concluded that they should be vested in no one short of the President. I will make recommendations to the Congress on this subject."

Background: The Bureau of the Budget, the Office of Defense Mobilization, and the Federal Civil Defense Administration have been intensively studying problems encountered in preparing for mobilization of our nonmilitary resources in the event of an emergency. The findings of this study have revealed that:

1. There are now two sources of planning and guidance for nonmilitary defense programs. This has resulted in:

    a. Two differing sets of emergency plans.

    b. Two differing sets of delegations of functions and instructions to agencies frequently covering the same subject.

    c. State and local governments, whose day-to-day contacts are with the Federal Civil Defense Administration, are confused by guidance issued by the Office of Defense Mobilization during annual test exercises which is inconsistent in some respects with FCDA guidance.

    d. Considerable overlap and conflict in many fields of activity, particularly as they relate to the development and testing of basic plans, and the control and utilization of resources.

2. Efforts to define the respective roles of the Office of Defense Mobilization and the Federal Civil Defense Administration have generally been unsatisfactory. Despite the fact that both agencies have diligently pursued this problem and despite many joint agreements as to their respective roles, no really successful definition has been achieved.

3. The principal responsibilities assigned to ODM and FCDA for civil defense and defense mobilization programs are

concerned with providing planning, direction, and coordination. That kind of responsibility is appropriate for assignment to a Presidential staff agency rather than to a department or to an independent agency such as FCDA.

The difficulties in current organization, noted above, arose from the following factors:

1. Three statutes provide the basic authorization for nonmilitary defense planning and preparedness functions. The National Security Act places functions in the Office of Defense Mobilization, the Defense Production Act places functions in the President (delegated by Executive order to the Office of Defense Mobilization) and the Federal Civil Defense Act places functions in the Federal Civil Defense Administrator.

2. At the time these three statutes were neacted, high-yield nuclear weapons, together with the resulting radioactive contamination of vast areas, and vanishing warning times were not yet a part of our attack assumptions. These changes in military science have brought about the overlap between defense mobilization and civil defense.

Discussion: The major features of the Reorganization Plan would be to:

1. Transfer to the President all functions now vested by law in the Federal Civil Defense Administration and the Office of Defense Mobilization.

2. Consolidate the Federal Civil Defense Administration and the Office of Defense Mobilization into a new agency in the Executive Office of the President to be known as the Office of Civilian Mobilization.

3. Create the positions necessary to administer the proposed Office of Civilian Mobilization.

4. Transfer the membership of the Director of the Office of Defense Mobilization on the National Security Council to the Director of the Office of Civilian Mobilization.

5. Transfer the Civil Defense Advisory Council to the Office of Civilian Mobilization.

Upon the taking effect of the proposed plan the central planning responsibility, now divided between the Office of Defense Mobilization and the Federal Civil Defense Administration, would be assigned to the Director of the Office of Civilian Mobilization. Among the first tasks of the new Cffice would be to assist the President in evaluating current delegations and orders to the departments and agencies by the Federal Civil Defense Administration and the Office of Defense Mobilization, respectively, and in developing new Presidential assignments. Such assignments would permit the more effective use of the capacities of the departments and agencies as a part of a program in which all levels of government must participate.

CABINET PAPER—PRIVILEGED
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CP - 58-78

April 15, 1958

The White House
Washington
THE CABINET

General Policies for Stockpiling

For consideration by the Cabinet, attached is a paper prepared by the Director of the Office of Defense Mobilization following full discussion in the Defense Mobilization Board.

This paper constitutes the proposed Administration position on the Recommendations of the Special Stockpile Advisory Committee which was established by the Director of the Office of Defense Mobilization on October 31, 1957 and which submitted its Report (made public by ODM) on January 28, 1958.

The attached paper consists of fourteen proposed policy statements, each relating to a different aspect of stockpiling policy.

In presenting this paper to the Cabinet, the Director of the Office of Defense Mobilization will describe the action status of each of these fourteen statements and the relationship of some of them to outstanding NSC and CFEP papers.

Besides the proposed policy statements in the main body of the paper, there is also attached an Annex containing an additional policy statement which the Director of the Office of Defense Mobilization wishes to call to the Cabinet's attention at this time but which will be the subject of further study before Cabinet concurrence or Presidential approval is requested.

In considering the attached paper, the attention of Cabinet members is called to the previous Cabinet documentation concerning stockpiling policy: CP - 57-60/1 and Item 2 of RA - 57-83.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Consideration

CABINET PAPER—PRIVILEGED CP - 58-78

Property of the White House—For Authorized Persons Only April 15, 1958

The White House

Washington

THE CABINET

General Policies for Stockpiling

This paper presents recommendations resulting from a thorough review of the Government's stockpile policy.

A Special Stockpile Advisory Committee, comprising personnel outside the Government under the chairmanship of Holman D. Pettibone, submitted its recommendations on January 28, 1958. This study was followed by a consideration of stockpile policy by staff in various agencies concerned with stockpiling and finally by the Defense Mobilization Board. The recommendations that follow represent the consensus of that Board and are submitted to the Cabinet for consideration or for information.

1. GENERAL ROLE OF STOCKPILING: Strategic stockpiles shall reflect the potentiality of general war and limited war.

2. DURATION OF EMERGENCY AND LEVEL OF STOCKPILING: All strategic stockpile objectives shall be limited to meeting shortages for a 3-year emergency period and shall consist of (1) a "basic objective" which assumes reliance on sources of supply factored to reflect estimated supply risks and (2) a "maximum objective" which includes an additional allowance to take into account the complete discounting of sources of supply beyond North America and comparably accessible areas.

3. PROCUREMENT POLICY: The "basic objectives" shall be attained expeditiously. If necessary, sources of supply shall be expanded, preferably in the United States or readily accessible foreign sources. Procurement, however, shall be tapered as the "basic objectives" are approached. The "maximum objective" shall be reached on a lower priority basis primarily by (1) deliveries under existing contracts, (2) transfers from other Government programs, (3) purchases with available foreign currencies, and (4) barter of U. S. agricultural surpluses.

4. MAINTENANCE OF THE MOBILIZATION BASE: The mobilization base shall relate to the capacity that should be readily available for an emergency rather than to the output of a given period. Stockpile procurement to maintain this capacity shall be undertaken only within the "maximum objective." Although various measures that are feasible shall be considered for meeting a mobilization deficit of materials, measures other than stockpiling shall be undertaken only after it is clear that stockpiling is not the best solution. Quantities of materials held for long-term storage in excess of stockpile objectives shall reduce and if sufficiently large shall eliminate the need for a mobilization base.

* 5. CALCULATION OF OBJECTIVES AND REQUIREMENTS: Stockpile objectives for strategic materials shall be adequate for limited or general war, whichever shows the larger supply-requirements deficit to be met by stockpiling. The requirements estimates both for limited and general war shall reflect specific requirements so far as they are applicable and available. Otherwise it shall be assumed that the total requirements would about equal the consumption by industrial capacity, considering necessary wartime limitation, conservation, and substitution measures.

6. CALCUALTION OF SUPPLIES: Supply estimates used in the calculation of stockpile goals shall be developed from existing capacity and known resources. The share available to the United States shall be discounted

*[as revised]

to reflect (1) the strategic vulnerability and possible economic and political instability of foreign sources, (2) overseas shipping losses and (3) vulnerability of domestic sources that are heavily concentrated geographically, including vulnerability to sabotage, providing that requirements are similarly discounted for vulnerability of the industries that consume the particular materials. Domestic supplies shall be disconte for excessive concentration to the extent of the estimated time required to restore the capacity.

7. FREQUENCY OF SUPPLY-REQUIREMENTS REVIEWS: A supply-requirements review shall be undertaken whenever a significant change is believed to be occurring in the supply-requirements balance of a material. Each material shall be kept under continuing surveillance and shall be examined at least annually to ascertain the need for a review. Special attention shall be given to objectives involving current procurement. An interim recalculation of stockpile objectives on a 3-year basis shall be completed immediately.

8. PROVISION FOR SPECIAL-PROPERTY MATERIALS: Prospective needs for high-temperature and other special-property materials shall be considered on the basis of a three-year period starting up to two years in the future but estimates of requirements therefor shall be included in the computation of objectives only when there is clear evidence that they are reasonably firm. In this connection arrangements shall be made for the regular availability of objective scientific advice to assist in such evaluation.

9. UPGRADING OF MATERIALS TO READY USABILITY: Strategic stockpiling shall stress rapid mobilization in the event of an emergency. Where the general basis for estimating supplies of a material, including allowance for plant vulnerability, does not call for a sufficient quantity in a form suitable for immediate use to meet the initial surge of demand and abnormal condition of intensive mobilization, a minimum readiness inventory required to cope with these circumstances shall be provided near centers of consumption. The inventory shall approximate a 6 months' requirement unless a thorough interagency review demonstrates a need for a larger allowance. Materials will not be upgraded to such a degree, however, as to impair flexibility of use. Payment in kind may be used to finance the upgrading within the objectives, provided that the release of materials to pay for the upgrading will meet the disposal criteria.

* 10. DISPOSAL POLICY: Strategic materials shall be retained so far as they are needed to meet existing maximum stockpile objectives and increases in the maximum objectives likely to occur in the foreseeable future. Disposals of excesses shall not be undertaken if they may cause serious economic disruption or adversely affect the international interests of the United States. Although increased flexibility of authority for disposal is desirable, such flexibility shall not be sought at the present time in view of economic conditions and will be exercised only upon the approval of the President.

11. DISPOSITION OF SUBSPECIFICATION MATERIAL: Subspecification-grade material in Government inventory may be beneficiated within the limits of the "maximum objectives" when this can be accomplished at less net cost than buying new material. When beneficiation of subspecification materials in the Defense Production Act inventory is not feasible or not necessary to reach the objectives, such materials may be disposed of as surplus when this can be done in conformity with disposal criteria. Consideration should be given to the use of subspecification metals and minerals to encourage development of economic processes for treating low-grade domestic ores.

12. BARTER OR EXCHANGE OF AGRICULTURAL COMMODITIES: Barter or exchange of surplus agricultural commodities shall continue to be used to the maximum extent feasible to acquire materials within the "maximum objectives" for the strategic stockpile when this will not interfere with necessary maintenance of the domestic mobilization base. Acquisitions for the supplemental stockpile shall not be designated as applicable to national defense.

13. CANCELLATION OF CONTRACTS: Commitments for deliveries beyond the "maximum objectives" shall be cancelled when settlements can be arranged that would be mutually satisfactory to the supplier and the Government

*[as revised]

that would not be disruptive to the economy or to projects essential to the national security and that would protect the financial interests of the Government. Future long-term contracts should contain termination clauses whenever possible.

14. DECLASSIFICATION OF STOCKPILE DATA: The Office of Defense Mobilization shall declassify stockpile data to the maximum extent feasible when it determines after an interagency review that the national security would not thereby be jeopardized.

CABINET PAPER—PRIVILEGED

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ANNEX

Stockpiling for Survival, Relief and Rehabilitation

Interagency review of stockpiling has developed the following proposed policy for stockpiling of survival, relief and rehabilitation items:

Inasmuch as objectives for strategic raw materials have been largely met, emphasis shall be shifted from stockpiling such strategic materials to items required for immediate use in an emergency and particularly to the stockpiling of vital supplies for survival, relief and rehabilitation. Stockpiling of survival, relief, and rehabilitation items shall generally be determined and financed separately from stockpiling of strategic and critical materials for an emergency. In the development of plans, appropriate consideration shall be given to effective use of resources already in being, including materials already in the strategic stockpile, and encouragement of or arrangements with producers and distributors to carry increased inventories of critical items in dispersed locations. If existing resources for dealing with a post-attack period are not adequate, especially those which take a long time to produce, positive steps should be taken to augment them.

CP - 58-78/1

April 22, 1958

The White House

Washington

THE CABINET

General Policies for Stockpiling

The attached approved paper is circulated for action by the Office of Defense Mobilization and the General Services Administration and for the information of the other Departments concerned.

This paper was approved at the Cabinet meeting of April 18, 1958 (RA - 58-102, Item 3).

The attached document incorporates the revisions made immediately prior to and also as a result of the Cabinet discussion; it excludes certain Sections which are to be acted upon by the National Security Council. The policy statements herein are to be considered governed by the agreements and understandings specified in Item 3 of RA - 58-102.

The attached paper, and especially Section 7 hereof, is privileged until and unless the President indicates otherwise; special precautions are requested to preserve the privileged nature of this document.

Cabinet Paper 57-60/1 of February 1, 1957 is herewith superseded.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED CP - 58-78/1

Property of the White House—For Authorized Persons Only April 22, 1958

The White House

Washington

THE CABINET

General Policies for Stockpiling

This paper presents recommendations resulting from a thorough review of the Government's stockpile policy.

A Special Stockpile Advisory Committee, comprising personnel outside the Government under the chairmanship of Holman D. Pettibone, submitted its recommendations on January 28, 1958. This study was followed by a consideration of stockpile policy by staff in various agencies concerned with stockpiling and finally by the Defense Mobilization Board. The recommendations that follow represent the consensus of that Board and are submitted to the Cabinet for consideration or for information.

1. GENERAL ROLE OF STOCKPILING: Strategic stockpiles shall reflect the potentiality of general war and limited war.

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For Action

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10. DECLASSIFICATION OF STOCKPILE DATA: The Office of Defense Mobilization shall declassify stockpile data to the maximum extent feasible when it determines after an interagency review that the national security would not thereby be jeopardized.

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CA - 58-103

April 22, 1958

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, April 25, 1958

1.	Program for the Conservation of Helium	CP - 58-81	The Secretary of the Interior; The Under Secretary of the Interior
2.	Modernization of the Nation's Airways -- Interim Review	(Oral)	Hon. E.R. Quesada
3.	Coordinated Regional Boundaries for Civilian Mobilization and Defense	CP - 58-79	The Director, Office of Defense Mobilization
4.	Human Behavior in Disaster	CI - 58-55	The Administrator, Federal Civil Defense Administration
5.	Status Report on FY 1958 Expenditures and Personnel Levels	(Oral)	The Director, Bureau of the Budget

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

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E.O. 11652, Section 1
DHC NLE, Date 3-17-77

~~CONFIDENTIAL~~

MINUTES OF CABINET MEETING

April 25, 1958
9:00 A. M. --- 10:15 A. M.

The following were present:

President Eisenhower

Sec. Dulles
Under Sec. Scribner
(for Sec. Anderson)
Deputy Sec. Quarles
(for Sec. McElroy)
Mr. Rogers
Mr. Summerfield
Sec. Seaton
Under Sec. Morse
(for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Asst. Sec. Richardson
(for Sec. Folsom)

Deputy Director Merriam
(for Director Stans)
Mr. Gordon Gray
Dr. Saulnier

Hon. Leo Hoegh, FCDA
Asst. Sec. Mueller, Commerce
Under Sec. Chilson, Interior
Mr. Henry Wheeler, Bureau of Mines, Interior
Dr. Alan Waterman, NSF
Hon. Albert Cole, HHFA
Hon. Franklin Floete, GSA
Adm. Strauss, AEC

Gov. Adams
Gen. Persons
Mr. Rabb
Dr. Siciliano
Dr. Killian
Mr. Hagerty
Mrs. Wheaton
Mr. Gray
Mr. Anderson
Gen. Bragdon
Gen. Goodpaster
Mr. Larson
Gen. Quesada
Mr. Patterson
Mr. Minnich

Helium Conservation Program (CP 58-81) - Mr. Chilson presented statistics concerning the limited reserves of helium, present wasteful practices, and the recommended program for conserving over 30 billion cubic feet of this invaluable gas through early construction of some 12 plants. The estimated cost of plants and related pipelines, he said, would be about $225 million but private industry might be induced to undertake some or all of this if they could be assured that the Government would purchase the helium thus captured. Mr. Chilson stated the extensive and unanimous concurrences that existed for the project.

In discussion, the President ascertained the reason for the great unit cost of attempting to capture all helium, also that substitutes might be used for certain purposes but that, according to Dr. Killian, it was

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By NLE, Date 3-17-77

inconceivable to develop any substitute for other essential purposes regarding the ultra low temperature characteristic. The President stressed that efforts to induce private construction of plants should not be allowed to delay essential actions to conserve what now remains.

It was also indicated that some quantities are exported to our allies for research purposes but under a strict licensing system requiring State and Interior approval.

Dr. Killian stressed that many new requirements for this gas will be appearing as the great low temperature value is further appreciated and applied. He indicated also that no one was concerned over the proposed rise in the price of helium to establish a self-liquidating project.

Mr. Merriam noted that some difficulties might be encountered regarding private activity since the production of helium has heretofore been a Government monopoly.

Modernization of Airways - Gen. Quesada reported briefly on the tragic crash in Nevada and stated that there had been no violations of rules, that it was one of those coincidences that could not be made to occur once in a thousand times even under a deliberate effort to put two planes mechanically on a collision course. He stated that the several agencies involved are intensifying their efforts to find means of reducing the chances of collision still further.

Gen. Quesada indicated that the Airways Modernization Board is making good progress and that Commerce and Defense have closed out their budgeting activities in this respect in favor of the Board.

He then outlined some of the fascinating modern computers and techniques that will enable more rapid and safer control over the airways. Finally, he commented on the desirability of integrating air defense with civilian airways management control as an aid to the air defense system in recognizing quickly potential targets.

Regional Boundaries of Government Agencies (CP 58-79) - With the aid of charts, Mr. Gray set forth the proposal for simplifying and making uniform the FCDA-ODM regional boundaries, closely coordinated with the six Army Areas. He showed other agency regional boundaries and indicated that if approval was given to the principle GSA, HHFA, and Labor would quickly conform also.

Mr. Gray noted the problems of certain other agencies and stated that, if the President approved, they would study the matter further with a view to improving the situation. Sec. Seaton noted that the Interior Department, for one, was bound somewhat by legislation.

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E.O. 11652, Section 1
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Mr. Merriam directed attention to the one-time cost of changing regional organization for certain agencies but anticipated long-run savings that would offset this.

The President approved the proposal and agreed that those departments not yet conforming should press their study to find means of doing so.

Human Disaster Behavior (CI 58-55) - Gov. Hoegh briefly reviewed the findings of this paper, indicating that the evidence thus far tends not to confirm rather widely held opinions that panic would be inevitable in case of nuclear attack.

He emphasized that to achieve optimum reaction, it was essential that there be advance understanding of the conditions that might exist, plans and controls for actions that would have to take place, and other such preparatory work. He recognized that the paper must be read with caution as far as concerns any projection for a nuclear attack situation.

He concluded that the paper confirms the belief held by FCDA that there must be a clear and simple plan.

Budget Report - Mr. Merriam compared Government expenditures through March 31st this year with the same date last year, and stated that they are presently about $2 billion greater. He then reviewed agency performance and recounted the several reasons for increases or decreases in much the same terms as on previous such reviews.

Regarding personnel, he stated that the present level is approximately 65,000 below that one year ago, is about 27,000 below agency projections formulated sometime ago, but that increases will occur in the next three months, in part for seasonal reasons.

Mr. Merriam concluded by stating the value of these agency projections and reports, and urged that the Cabinet members themselves review them from time to time rather than delegating it completely to staff.

L. A. Minnich, Jr.

Copies to:
  Mrs. Whitman (2) ✓
  Mr. Rabb
  Mr. Minnich

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CABINET PAPER—PRIVILEGED RA - 58-103

Property of the White House—For Authorized Persons Only April 25, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, April 25, 1958:

1. Program for the Conservation of Helium CP - 58-81

ACTION:

Cabinet Paper 58-81 with its Recommendations and proposed Implementing steps was approved, with the President in favor of the participation of private enterprise as fully as possible but emphasizing that the Federal Government has a clear responsibility to get the job done with or without such participation.

2. Modernization of the Nation's Airways - Interim Review

ACTION:

The Cabinet noted the summation by Mr. Quesada of the developments which are underway in this field, and noted that a fuller report will be presented to the Cabinet by Mr. Quesada in the near future.

3. Coordinated Regional Boundaries for Civilian Mobilization and Defense CP - 58-79

ACTION:

a) Cabinet Paper 58-79 with its Recommendation was approved, it being understood that the approved recommendation applies to regular peacetime as well as to civil defense and defense mobilization operations but that it applies, for the time being, only to the Departments and Agencies named in the paper.

b) It was noted that the Federal Reserve Board will designate regional Federal Reserve Bank officials as liaison officers with the respective regional civil defense/defense mobilization officers.

c) It was noted that cooperative arrangements have been made with the AEC installations in the various regions.

d) It was noted that certain relatively small upward budgetary adjustments will probably have to be made by some of the agencies affected, but it was estimated that these increases will be cancelled out by later savings attributable to this consolidation.

CABINET PAPER

For Action

e) The Departments and Agencies not named in Cabinet Paper 58-79, and especially the Justice, Interior, and Post Office Departments, are to give further study to this initial consolidation with a view to determining the extent to which their regions can be standardized in like fashion; this study will include an examination of any necessary changes in statutes.

f) The Director of the Office of Defense Mobilization will test the initial consolidation provided for in this paper during OPERATION ALERT 1958 and will report back to the Cabinet on the results of this test as well as on the results of the studies to be made pursuant to paragraph "e" above.

g) Consideration will be given to the issuance of a Presidential memorandum embodying and publicly underscoring the decision made today.

4. Human Behavior in Disaster CI - 58-55

ACTION:

The Cabinet noted the summarization of the important points in this paper by the Administrator of the Federal Civil Defense Administration and the fact that the paper would be used as guidance in all planning in this field. The President gave encouragement to the research on this important problem.

5. Status Report on FY 1958 Expenditures and Personnel Levels

ACTION:

The Status Report, including the suggestion that Department Heads personally review the plans for their respective expenditure and personnel schedules, was noted without objection by the Cabinet.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

PRESIDENT'S LANGUAGE:

"I am in favor of the Bureau of the Budget's finding private enterprise possibilities, but if this problem is what I think it is, as this presentation has shown, then to hell with that as far as I am concerned -- we must get the job done. This is the important thing , not just toget the advantage of private enterprise."

BUDGET'S LANGUAGE:

CP - 58-81, ... was approved, with the President emphasizing that private industry should be encouraged to participate as fully as possible. He noted XXXX however that the program should not be delayed to Xwait for private participation, inasmuch as conservation is essential."

Interior disagreed — &
won out by President's
approving language used.

THE WHITE HOUSE
WASHINGTON

April 24, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, April 25, 1958

The following items are listed on the Cabinet agenda for April 25th:

1. Program for the Conservation of Helium (Secretary Seaton, Mr. Chilson)

The [illegible] Library

Helium is a precious natural resource of which the only free world supply is in the United States. It is being increasingly used (chiefly by the government) in missile and atomic energy programs. We are sure that our total supply has already been discovered; it is 120 billion cubic feet.

In nature, helium is mixed up in commercial natural gas (from the fields in only a small area in the Southwestern United States). As the private companies extract this gas and pump it to domestic consumers, the helium stays in it as an "impurity." When the gas is burned, the helium escapes.

If we do nothing, 40 of these 120 billion cubic feet will be wasted. An interdepartmental staff committee has concluded that this "would be a gross wastage of a very limited and unique natural resource, which could have the effect of reducing or slowing down the rapid advance of scientific, technical and military developments in this country." All our supply may be exhausted as soon as 1975, not even considering an emergency mobilization need.

Interior, with the concurrence of most of the Departments concerned, is proposing a program of conservation which would involve:

The government's buying (or condemning) the helium extraction rights at the 12 remaining economic sites.

The government's negotiating with private industry to put up 12 extraction plants, the government paying for whatever part of the total expense private industry will not agree to bear.

The government's raising the price of helium to current users (mostly its own agencies) to amortize the construction expense.

Unsold helium would be pumped into the government's Cliffside (Texas) underground field for storage for the future.

An advance Cabinet paper explains these proposals, and Interior will supplement it with a cogent visual-oral presentation, which I have already previewed with Mr. Chilson.

PRESENTATION TIME: 20 minutes

2. Modernization of the Nation's Airways -- Interim Review (General Quesada)

Since the recent crash in Nevada has brought this subject very much to the fore, General Quesada will make an interim review of the government's operations and plans for your information and that of the Cabinet. He will analyze what is known about the crash itself (since press conference queries are likely) and then will go on to give the Cabinet a very brief summary of progress in the field in which he is working, e.g., joint funding, joint military-civilian test facilities and other encouraging steps. This review will be brief in the light of a full progress report, with visual materials, which he is preparing for a subsequent Cabinet meeting.

PRESENTATION TIME: 10 minutes

3. Coordinated Regional Boundaries for Civilian Mobilization and Defense (Mr. Gray)

Last August, you will remember Mr. Gray's map-with-many-overlays, showing the tangled and inconsistent sets of regional boundaries which the various agencies have developed over the years. You then made the request that ODM and Budget Bureau work together and with the agencies concerned to bring about a better coordinated set of boundaries which would more adequately meet the needs of mobilization planning.

After much interdepartmental discussion, a pattern has been proposed which follows the six Army Command Areas, with two of them (optionally) divided, making a maximum of eight. ODM, Budget, FCDA, and Defense concur. Agriculture, HHFA, and GSA say they can get along with the eight proposed.

HEW says it will change its 9-region pattern only if it is clearly determined that civil defense needs "take priority over considerations of normal administration;" they will need more money, as will GSA, to make the change-over.

Labor Department dissents, feeling that its Bureau of Employment Security's 11 regions are clearly best for peacetime operations. If an over-all decision were made to change, Labor would need more money in its budget for this.

Budget and ODM need a clear and prompt decision, since amendments to the FY 1959 budget would have to be transmitted to the Congress quickly.

An advance Cabinet paper discusses the recommendations proposed, and includes a map.

PRESENTATION TIME: 15 minutes

4. Human Behavior in Disaster (Governor Hoegh)

In Cabinet discussion last year of OPERATION ALERT, you asked some thought-provoking questions about psychological attitudes and public behavior in emergency or disaster situations and what kind of planning was being done on this score.

As a consequence, Governor Hoegh of FCDA has looked into this problem and has put something together which would be an answer to your questions. This is contained in a Cabinet information paper which is arranged into a one-page brief, a three-page document, and a thirteen-page attachment. I would commend the brief and possibly the paper to your attention; Governor Hoegh will summarize the salient points as he presents the paper.

PRESENTATION TIME: 10 minutes

5. Status Report on FY 1958 Expenditures and Personnel Levels (Mr. Stans)

This is the periodic monthly report which Budget Bureau prepares to show at-a-glance how near (or far) expenditures and personnel levels are running as compared with January estimates. These reports are a fruitful source of information on government costs and size, they are devices by which you and the Cabinet can monitor and better control the rates of fund out-go and the hiring of personnel.

PRESENTATION TIME: 8 minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

CABINET

PRESENTATION

ON

HELIUM

By

HON. HATFIELD CHILSON

UNDER SECRETARY OF THE INTERIOR

April 25, 1958

Mr. President:

This subject is highly important to the future of the United States. Helium is one of our very valuable natural resources. In the normal course of events, the helium supply will become inadequate for our peacetime civilian and military needs by 1985, unless prompt action is taken to avert it. This inadequacy to meet needs may occur sooner if demands continue to accelerate as they have in the past five years or in case of war.

The problem is created by the tremendous wastage of our limited helium resource which is now taking place, coupled with the rapid increase of its importance in vital programs of the Government.

Helium is found

Helium is found in the United States as a small component in a comparatively few deposits of natural gas. As this gas is produced and transported to the fuel markets of Chicago, Detroit, Denver, and other areas of the West, the helium, unless extracted, goes along.

Helium does not burn and it has no fuel value. Thus it is wasted into the air through the gas ranges, furnaces, and other gas appliances of some 15 million domestic and industrial users.

The responsibility of dealing with this problem falls to the Department of the Interior, for we are charged by statute with the responsibility of producing helium to meet the needs of the Federal Government. The fact that it appears we will be unable to provide even to provide even the peacetime needs beyond 1985 is cause for concern.

The only known reserves of helium in the world are in the United States and Russia. The extent of the Russian reserves are now known to us, but the reserves in the United States are quite limited and there is little prospect of new discoveries.

Helium is a unique element which has certain characteristics that cannot be duplicated or reproduced.

For example, it is the only substance that can retain its gaseous form at atmospheric pressure below a point within 20 degrees of absolute zero. Thus, it can be used to produce temperatures in the region of absolute zero that could not be attainable otherwise.

Without helium the

Without helium the physical world of the lower temperatures is not available to scientists. When liquified, helium transforms to a physical state unlike any other state of matter that scientists have found. No other liquid can be produced with these same qualities.

Its importance in the vital programs of the Federal Government is indicated by the fact that 70 percent of our helium production is used by Federal agencies, and an additional 20 percent is used in Government contracts.

The use of helium in lighter-than-air-craft is well known. Its lifting power and non-inflammability make it ideal for this purpose.

What is not

What is not so well known are other and equally important uses.

By the use of helium, magnesium, a highly inflammable metal, can be welded. It is also used in the arc welding of aluminum, copper, and stainless steel, and such use has reduced by 30 percent the rejects in the production of jet engines.

Helium-filled wind tunnels were used to prove the effectiveness of the new nose cone for our intercontinental ballistic missiles.

I am informed that the reduction in weight of the pressurizing systems of our large guided missiles, made possible by the use of helium, have increased their range as much as 500 miles.

It has important

It has important uses in atomic energy programs. It is used in nuclear reactors and is considered an ideal gas for certain nuclear applications.

It is the most efficient material in testing for leakage. The helium molecule is so small that leaks can be detected that leak only one quart of air in two thousand years. This is a very important use in atomic energy facilities.

CHART I

This chart indicates some of the larger uses of helium in the programs of the Federal Government. (Point out.)

CHART II

This next chart shows the percentage of uses

by the various

by the various departments and agencies of the Federal Government and non-Federal uses. It also indicates the great increase in the use of helium. The demands for helium have increased 500 percent since 1950. The chart also indicates that this increase will continue, as shown by the anticipated needs in 1960.

CHART III

Experience indicates there is little likelihood of discovery of additional helium deposits.

This chart shows the location of the gas-producing areas in the United States.

Although gas deposits are found in many areas, 99 percent of the helium reserves are located within a radius of 250 miles of Amarillo, Texas, indicated by the white area on the chart.

Over 600,000 oil

Over 600,000 oil and gas wells have been drilled in the United States since 1943 with the discovery of no new important helium-bearing gas deposits. Nor are there any known helium reserves elsewhere in the Free World.

The helium-bearing gas deposits in the Amarillo area are producing natural gas in large quantities which is transported through a maze of pipelines to the fuel market. As I stated before, the helium in the gas produced, unless extracted, goes to the fuel market and, being nonflammable, is wasted.

CHART IV

This next chart shows the helium picture in 1958. The total reserves are 120 billion cubic feet. During the year 1958 approximately 4.4 billion cubic feet of this helium will of this helium will be withdrawn with the natural gas produced for fuel.

To meet the present demands for helium, the Bureau of Mines of the Department of the Interior operates four helium extraction plants which will recover about 350 million cubic feet of this helium in 1958. Since the Department is the sole producer of helium, this 350 million cubic feet is all that will be recovered. In the course of this same year 4 billion cubic feet of helium will be transported to the fuel market and wasted.

Thus, it is seen that for every cubic foot of helium extracted and used, 10 cubic feet are being wasted.

This wastage of

This wastage of the helium resource has caused expressions of concern by some of our leading scientists.

Dr. Bradbury, the Director of the Los Alamos Scientific Laboratory, has stated: "It would be tragic if succeeding technology were deprived of helium because of casual wastage during our own times." Dr. Waterman, Director of the National Science Foundation, after pointing out the unique and important properties of helium and its importance to research and scientific development, has stated: "In wasting helium we are wasting an irreplaceable asset. This waste could have grave consequences."

CHART V

This chart illustrates several things. First, that the capacity of the fields to produce helium declines each year as the gas is withdrawn for the fuel market. This decrease in capacity to produce may result from decrease in field pressures or exhaustion of some deposits.

The expected increase in peacetime demands is shown by the black line. The demand curve by the year 1985 will begin to exceed the capability of the gas fields to produce helium. War or an unexpected increase in demands could accelerate this date. Therefore, if we have no substantial amount of helium in the conservation pool we will begin to be unable to meet our peacetime requirements for helium beyond 1985.

The gray area at the bottom shows the amount

of helium that

of helium that will be produced between now and 1985 by the four existing extraction plants and one additional plant which is about to be constructed.

To meet the increase in demands as they accrue, the Department of the Interior plans the construction of twelve additional extraction plants between 1965 and 1980.

Under this program 52 billion cubic feet of helium will have gone to waste between 1958 and 1985.

What can we do about this wastage?

By building these same twelve plants now instead of building them over the period of time from 1965 to 1980, we can conserve approximately 32 billion

cubic feet of

cubic feet of this wastage. This in essence is the conservation program proposed.

The 32 billion cubic feet represents about 25 percent of the total helium reserves and about 60 percent of the wastage which will occur without any conservation program.

The helium produced

The helium produced in excess of immediate needs would be transported by pipeline to the Government-owned Cliffside Gas Field near Amarillo, Texas, stored underground and withdrawn as needed. The feasibility of such storage and withdrawal has been demonstrated by actual practice over a period of years.

CHART VI

This chart illustrates what such a conservation program will accomplish.

The withdrawal of gas for fuel will have reduced the helium remaining in the original deposits to 40 billion cubic feet.

Between 1958 and 1985 the extraction plants will have recovered 28 billion cubic feet. This will have been used for immediate needs.

There will be

There will be practically no helium in the conservation pool, and 52 billion cubic feet of helium will have been wasted.

Under the proposed conservation program the reserves in the original deposits will have been reduced to the same 40 billion cubic feet.

The extraction plants, however, will have recovered 60 billion cubic feet.

Of this, 28 billion cubic feet will have been used, and 32 billion will have been stored in the conservation pool.

Thus, with the conservation program, by 1985 our reserves will be a total of 72 billion cubic feet as contrasted to 40 billion cubic feet of reserves without conservation.

without conservation.

COST

The estimated cost of the twelve additional plants and the interconnecting pipelines to the conservation pool is about $224 million. We believe that private industry may be induced to construct and operate these plants under long-term contracts, whereby the Government would purchase the helium produced under terms which would accomplish the conservation objectives and justify the investment of private capital.

Should the program be undertaken in this manner, appropriated funds would be required to purchase the helium produced until about the year 1975, at which time the income time the income from helium sales should make the program self-sustaining.

Should it be necessary for the Government to construct and operate the plants, $224 million of construction costs would be required during the period of construction. In addition, approximately $56 million would be needed over the first six years of operation to pay the difference between the income from helium sales and the outgo for expenses of operation. At the end of six years the income from the sales should begin to exceed the outlay for expenses.

Whether this program is financed by private capital or Government funds, or in part by both, the cost of the program, including amortization of investment and interest on and interest on invested funds, can be liquidated over a 25 to 30-year period by increasing the sale price of helium at the plant by about $25 per thousand cubic feet. The present price is $15.50 to the Government and $19 to commercial customers. This increase will not prohibit the use of helium for important purposes.

Study of the problem of conservation of helium has been under consideration for several years and has been the subject of intensive study by the Department of the Interior during the past year.

As a result of these studies, Mr. Gray, Director of ODM, formed a Working Group composed of representatives from the Department of Defense, Department of Commerce, of Commerce, Department of the Interior, Bureau of the Budget, Office of Defense Mobilization, and the Atomic Energy Commission. This group was directed to study the value of helium and how a program of conservation could best be implemented.

After several months of study the Working Group unanimously recommended the conservation program which is here proposed.

RECOMMENDATIONS

At page 3 of the Cabinet paper are found recommendations. They are:

1. That a National Helium Conservation Policy should be adopted and implemented to conserve up to 32 billion cubic feet of helium which otherwise will be wasted.

2. Conservation should be

2. Conservation should be accomplished by the construction of up to twelve additional extraction plants and the storage of the helium produced in excess of demand in the Government-owned Cliffside Gas Field.

3. That private industry should be given every reasonable opportunity to participate in the program under terms which would carry out the conservation objectives, produce helium at a reasonable cost, and justify the investment of private capital.

4. The Government should undertake that part of the program that private industry does not undertake.

5. The sale price of helium should be raised

to wover the

to cover the costs of the conservation program in addition to the cost of producing helium for immediate use.

6. Suitable legislation should be submitted to the Congress to provide the necessary legislative authorities to effectively carry out the program.

These recommendations have the concurrence of the Department of Defense, Bureau of the Budget, Office of Defense Mobilization, Atomic Energy Commission, and, of course, the Department of the Interior.

We recommend, Mr. President, that the Cabinet concur in and that you approve these proposals.

# #

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CP - 58-79

April 15, 1958

The White House

Washington

THE CABINET

Coordinated Regional Boundaries for Civilian Mobilization and Defense

For consideration by the Cabinet, attached is a paper prepared jointly by the Director of the Office of Defense Mobilization and by the Director of the Bureau of the Budget.

This paper has been prepared pursuant to the assignment made to the two above officers by the President at the Cabinet meeting of August 23, 1957 (RA-57-83, Item 4).

The attached paper reflects consultation with the Departments of Defense, Agriculture, Labor, Health, Education and Welfare, the Federal Civil Defense Administration, Housing and Home Finance Agency, and General Services Administration.

Maxwell M. Rabb
Secretary to the Cabinet

[There was a year's delay in implementing - see CP 59-79/1 of June 1, 1959 - filed under RA-131 - meeting of 5/1/59]

CABINET PAPER

For Consideration

Representatives of the Department of Agriculture, the Housing and Home Finance Agency and the General Services Administration have indicated that the plan would be satisfactory in terms of their operating requirements.

The Department of Labor reports that it believes the existing eleven-region pattern of its principal manpower constituent, namely, the Bureau of Employment Security, is best for the Bureau's peacetime responsibilities and that it would be strongly opposed to making any change in connection with the Bureau's peacetime operations. The Department also advises that its present pattern is best for the mobilization functions of the Bureau of Employment Security but that further consideration will be given if it clearly appears that the agency's participation in mobilization activities would be improved by some adjustment in its regional boundaries.

The Department of Health, Education and Welfare, which now has nine regions, has indicated it will agree to the proposed plan with the qualification that it would not wish to disrupt its peacetime programs by making such extensive adjustments as are required except to achieve a national civil defense purpose determined by the Administration to take clear priority over considerations of normal administration and for which purpose funds are provided to enable the Department to carry out its responsibilities.

The agencies that would have to make significant adjustments (Labor, HEW, and the GSA) also indicate that their current budgets would not enable them to finance the extraordinary costs involved in realigning their regional patterns.

Recommendation: That the President approve the proposed pattern, on the map attached, of coordinated regional boundaries for agencies having major responsibilities for civilian mobilization and defense, and that he direct the implementation as indicated below.

Implementation: By direction of the President:

(1) The ODM, the FCDA, and the HHFA should proceed immediately to adjust their regional boundaries to the coordinated plan;

(2) Army Command Areas should be retained in a pattern consistent with the boundaries of the coordinated plan;

(3) Interior, Agriculture, and Commerce which have major responsibilities for civilian mobilization and defense should designate staff to work on civilian mobilization and defense activities in conformity with the pattern.

(4) The regional boundaries of the Department of Health, Education and Welfare, the Bureau of Employment Security in the Department of Labor, and the General Services Administration should be converted to the recommended pattern as soon as possible in the fiscal year 1959 in order that savings accruing from the reduced number of regions may be applied to the cost of realigning regional patterns. To the extent that such savings do not meet the one-time cost of adjusting to the new regional pattern, appropriation estimates should be promptly submitted by the agencies concerned to the Bureau of the Budget in order that appropriate amendment of their 1959 appropriation requests can be transmitted to the Congress.

Concurrence: The Directors of the Office of Defense Mobilization and the Bureau of the Budget join in the recommendation. Formal concurrences have not been sought from the department and agency heads.

Attachment: Map showing recommended pattern for coordinated regional boundaries.

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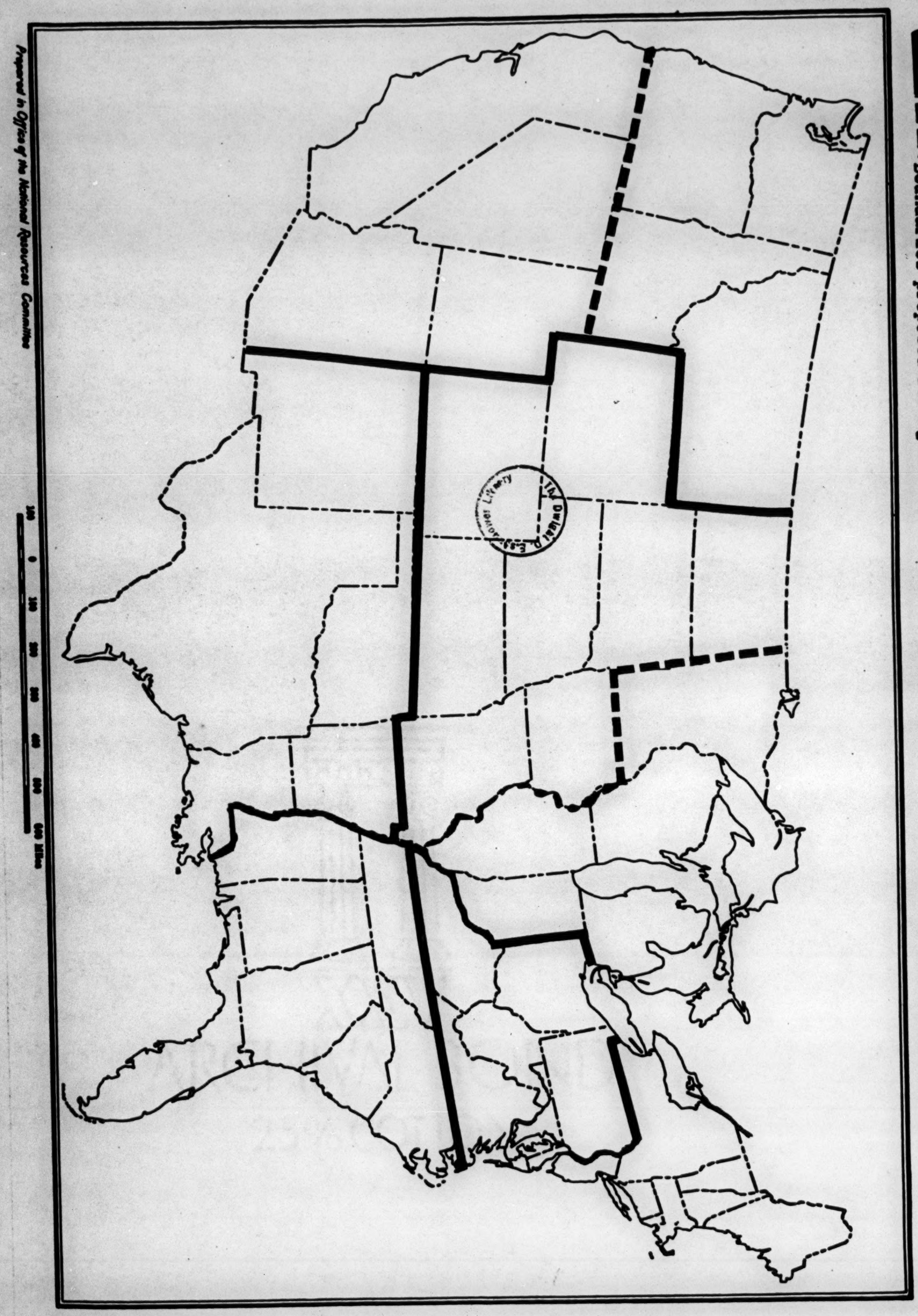
Prepared in Office of the National Resources Committee
100 0 100 200 300 400 500 600 Miles

━━ Boundaries of Army Command Areas

▬ ▬ Boundaries proposed for agencies with mobilization and civil defense responsibilities

April 14, 1958

CABINET PAPER

For Consideration

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THE CABINET

Coordinated Regional Boundaries For Civilian Mobilization and Defense

Problem: Should coordinated regional boundaries be established for agencies having major responsibilities for civilian mobilization and defense? If so, (1) is the proposed eight-region pattern appropriate? (2) at what time should affected agencies put into operation the coordinated regional pattern?

Discussion: At the Cabinet meeting on August 23, 1957, the President requested the Director of the Office of Defense Mobilization to work with the Director of the Bureau of the Budget in an endeavor to recommend revised regional boundaries for the agencies of the Federal Government which are more consistent with the needs of mobilization planning.

Representatives of the ODM and the Bureau have explored the issues and problems involved with representatives of the Federal Civil Defense Administration, the Department of Defense, and the principal delegate agencies of the ODM and the FCDA. The advantages of coordinated boundaries for the agencies having emergency mobilization and civil defense activities are widely recognized by representatives of these agencies. They also recognize that these advantages can be realized only if regional boundaries are realigned before an emergency arises.

The Directors of ODM and the Bureau agree, with the concurrence of Defense and FCDA, that the boundaries of Army Command Areas should be coordinated with the regional boundaries of civilian agencies, since the Army Commands have the field responsibility for civil defense planning in the Department of Defense and for coordinating the use of military resources that are available to support civil authorities in the event of domestic emergencies.

In arriving at the recommended pattern for regional boundaries (see attachment) the Bureau of the Budget and the ODM have had to take account of the conflicting views of civilian agencies which favor fewer than eight regions and those which favor a larger number. It has also been necessary to weigh the relative merits of adjusting the boundaries of Army Command Areas or the boundaries of civilian agencies. Consideration has likewise been given to the long-range suitability of the proposed plan for all agencies involved, and to the government-wide cost of adjusting to the recommended pattern and financing it in succeeding years. The recommended plan maintains the boundaries of the six Army Areas and provides for a maximum of eight regions for civilian agencies, coordinated with the Army pattern. Where an Army Command Area is split for civilian agencies the Command would make staff arrangements to cover the two regions.

The recommended pattern is supported by the Bureau of the Budget, the ODM, the FCDA and the Department of Defense.

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For Consideration

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Coordinated Regional Boundaries for Civilian Mobilization and Defense

For consideration by the Cabinet, attached is a paper prepared jointly by the Director of the Office of Defense Mobilization and by the Director of the Bureau of the Budget.

This paper has been prepared pursuant to the assignment made to the two above officers by the President at the Cabinet meeting of August 23, 1957 (RA-57-83, Item 4).

The attached paper reflects consultation with the Departments of Defense, Agriculture, Labor, Health, Education and Welfare, the Federal Civil Defense Administration, Housing and Home Finance Agency, and General Services Administration.

Maxwell M. Rabb
Secretary to the Cabinet

[There was a year's delay in implementing — see CP 59-79/1 of June 1, 1959 — filed under RA-131 — meeting of 5/1/59]

CABINET PAPER

For Consideration

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CI - 58-55

April 22, 1958

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THE CABINET

Human Behavior in Disaster

For information of the members of the Cabinet and their staffs concerned, attached is a paper prepared by the Administrator of the Federal Civil Defense Administration.

On several past occasions, in connection with discussion of OPERATION ALERT 1956 and 1957, the President has referred to the importance of taking the above subject into consideration, in all related planning.

Pursuant to this interest, the Federal Civil Defense Administration has prepared the attached paper which summarizes the results to date of research in this field. The paper has drawn upon the work and findings of the Civil Defense Advisory Panel on Behavioral Research and of the Committee on Disaster Studies of the National Academy of Sciences-National Research Council.

The attached document has three parts: a Brief, a four-page paper and an Attachment entitled "Salient Specific Findings."

The attached paper is for information and guidance to all Cabinet and staff officers engaged in planning in areas where the data herein can be useful.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

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THE CABINET

Human Behavior in Disaster

BRIEF

PROBLEM

To analyze significant research data concerning human behavior and morale under disaster conditions, relate the data resulting from past experience to probable action under nuclear attack and report such findings and conclusions to the Cabinet.

DISCUSSION

The Federal Civil Defense Administration is intensifying research and development activities on human behavior under stress, designed to provide guidance on the psychological attitudes, morale, and behavior of the population following an attack warning, and during and after a heavy attack.

The large body of data reviewed in the attached Cabinet Paper was extracted from studies of natural disasters, population experiences of World War II, historical and journalistic reports, surveys of public attitudes, studies of various false alerts, and civil defense exercises. Also included are studies of data related to concentration camps, refugee and displaced persons experiences, survival experiences of downed airmen, and clinical studies of human behaviour under stress.

The findings and generalization must be applied with caution to the conditions which would result from a thermonuclear attack. The world has never experienced the complex sequence of trauma and deprivation on such a widespread scale as would likely result from an attack with modern weapons. The data on human behavior is the best now available and provides important information about civilian behavior and morale under emergency conditions.

CONCLUSIONS

Contrary to general stereotyped thinking about disaster, human responses in an emergency are complex, heterogeneous, and vary with specific circumstances; mass panic rarely occurs; very few cases of looting can be discovered; disaster victims are able to help themselves; leadership emerges; isolated groups of survivors develop substitue forms of social organization. Social groups tend to be strengthened; emotional effects while widespread are relatively mild and transitory; morale and recuperability are relatively high. While public understanding of the consequences of a nuclear attack and required civil defense countermeasures has increased with time, it is obvious that this knowledge has not been conveyed in such a way as to have it incorporated in the feelings and actions of the people. Operational planning must be flexible, clear, consistent, and positive, while envisioning many forms of human behavior. Such plans must take into account people's concern for the safety of loved ones, the use of emergent leadership, and the acceptance of organized groups into the social fabric. Jobs and roles of workers must be designated since work and responsibility are important means of recovery. Vital resources and trained leadership are required and must be available to assure survival. Adequate warning and communication plans are essential, as well as plans for complete recovery and rehabilitation. These represent survival measures required for maintaining adequate civilian morale and behavior vital to national survival under attack conditions.

CABINET PAPER
For Information

IMPLEMENTATION

This report is submitted to the Cabinet for information, with the suggestion that the conclusions be taken into consideration in all governmental planning involving disaster situations.

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THE CABINET

Human Behavior in Disaster

PROBLEM

The purpose of this paper is to review and analyze significant research data on human behavior and morale in natural disasters, World War II, and related experiences, and apply the findings to the probable conditions resulting from nuclear attack.

DISCUSSION

The following research review draws upon a large body of comparative data on human reactions in domestic and foreign disasters plus World War II bombings and other related studies.* It also uses data from some 3500 interviews that were taken in more than 25 post-World War II disasters. The findings and implications arising from these data were developed jointly by the Federal Civil Defense Administration and the Disaster Research Group of the National Academy of Sciences.

It must be emphasized that the findings and generalizations which follow are of a tentative nature and should be applied to nuclear war conditions only with caution. No situation has ever existed in which the same complex sequence of trauma and deprivation has occurred on a nation-wide scale which may be expected following nuclear attack. However, disasters do provide many situations and behavior patterns that are analogous to those found in wartime situations. By carefully relating these findings to expected wartime conditions, it is possible to get a clearer and more reliable picture of potential wartime behavior than it is possible to get if we ignore people's observed behavior in actual disasters and go only on our hunches.

Human behavior in disaster is usually quite different from what is commonly expected. It is misleading and often downright erroneous to rely upon speculation, common knowledge, experience, folklore, literature, or even news stories. The picture built up by these sources emphasizes the dramatic and bizarre; research shows other, more down-to-earth problems to be more important. Contrary to general stereotyped thinking about disaster: (1) Mass panic is a phenomenon that occurs rarely and only under certain circumstances; (2) Few actual cases of looting can be discovered; (3) Stricken populations are not a "dazed, helpless mass," but help themselves and perform rescue and welfare tasks; (4) The social group organization does not break down but is strengthened; (5) There are only isolated examples of break down of moral codes; (6) There is no significant increase in psychoses and psychoneuroses; (7) Emotional after effects are widespread but relatively mild and transitory; (8) Morale and optimism soon rebound and are abnormally high in some respects; and (9) The big problem of crowd control is not flight of the victims from the disaster area, but a convergence of people to the disaster area from the outside.

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* Data relevant to problems of civilian morale and behavior under conditions of nuclear attack come from several sources: (1) studies of peacetime disasters; (2) observations and studies of World War II bombings, including Hiroshima and Nagasaki; (3) historical and journalistic reports of great disasters of the past; (4) surveys of current attitudes and information concerning war, etc.; (5) studies of special situations, such as false alerts and civil defense exercises; (6) studies and reports of related situations such as concentration camps, refugee groups, survival experiences of downed airmen, etc.; (7) experimental and clinical studies of behavior under stress and related subjects.

It might be expected that a widespread thermonuclear attack upon the United States would leave vast areas of devastation, as well as millions of dead and injured. In the light of such a devastating blow, it would be impossible to predict with any degree of accuracy the total gamut of human reactions to such loss and destruction. However, on the basis of existing data and experience, a series of statements can be made which should caution planners against making the following errors:

1. Overestimation of the number of deaths and casualties in relation to the number of survivors. In calculating the destructive effects of weapons or natural disaster forces, there is a common tendency to underestimate the ability of people to find protection. Even in communities where physical destruction is virtually complete and it seems inconceivable that anyone could have survived, the number of deaths often constitute a small proportion of the population. Thus, too much emphasis has frequently been placed on the handling of casualties and deaths, and too little emphasis has been placed on the needs of the survivors.

2. Overemphasis on the pathological, social and psychological effects of widespread disaster. Panic, mob action, looting, psychotic and neurotic break downs, and other forms of anti-social, maladaptive, or irrational behavior are much rarer in occurrence or shorter in duration than is generally supposed. The conditions which promote these forms of behavior are highly specific conditions, not simple exposure to traumatic, dangerous disaster stimuli. Planning which proceeds on the basis that these are common, typical responses to disaster is likely to be highly unrealistic.

3. Overemphasis on the helplessness and dependence of disaster survivors on outside aid. Although the initial effect of a devastating disaster tends to produce shock, daze, and confusion among the population, people quickly rally to help themselves, and to ameliorate the suffering produced by the disaster, by using whatever resources are at hand. Complete helplessness or lack of organization does not persist even when outside assistance is delayed for considerable periods of time.

4. Underestimation of the ability of people to withstand great stresses, change their values and social norms, and adapt themselves to a changed physical environment. Many of the so-called "problems" of human behavior in disaster that might be anticipated on the basis of a normal, intact, social order do not occur because the victim population develops a new set of social values and, hence, a different set of motivations than those which operate in usual circumstances. Planning which proceeds on the assumption that the normal factors which produce upsets, conflicts, and maladjustments in human life will be the same in a post-disaster period is likely to concentrate disproportionate attention on imaginary problems.

5. Underestimation of the resiliency and recuperability of the disaster victims, which are almost invariably greater than would be expected by those people who have not experienced the disaster. The officials and decision-making centers are often demoralized sooner, and become more pessimistic than the general population.

The salient specific findings of our studies on which the above statements and the following conclusions are based are set forth in the attachment.

CONCLUSIONS

In the following paragraphs a limited number of broad inferences for civil defense planning are selected from the findings presented in the attachment:

1. It is difficult to warn people about the threat of an impending disaster unless they have some knowledge or experience relating to that threat. Thus a major program of education and practice is required in advance to train people to recognize and accept warning signals and to take proper action.

2. The information and training provided to the public should condition their reactions and survival capabilities if attack occurs. Public information and educational policies must be continuously and critically reviewed in the light of pertinent scientific information to see if methods can be improved. Effective public education depends upon clarity and consistency of survival policies at the national level and upon their manifestation through concrete plans.

3. Preoccupation with "panic" as a vague, undefined response, obscures clear thinking about specific operational problems. Panic flight is one of several specific forms of behavior which occur under certain circumstances, and specific plans for its prevention can be made.

4. It is not realistic to plan for dealing with survivors in the post-impact emergency as if they will be a helpless, homogeneous, and dazed mass of people. Plans must take account of the variety of motivations, emotional conditions, and activities which can occur, and assume that an active, rather than an inert population is to be guided and cared for. People can and will do much to care for themselves and each other.

5. Plans must also seek to provide means of positive care for the needs of large numbers of people who are so stunned and bewildered or otherwise disturbed as to be incapacitated. Specialized psychiatric attention will be impossible for most of the people, thus the means of dealing with emotional problems must be built into the whole structure of the post-attack welfare and rehabilitation program.

6. Concern for the safety of loved ones and the desire to help and be with them will be a pervasive, powerful, and potentially difficult human response. The problems of keeping families together, reuniting them, or providing them information about one another would be immense in an attack; but the need is so important that great efforts to solve such problems are justified.

7. Convergence behavior may be modified by the shortages of supplies, transport, and communication, and by the fear of radiation. Convergence, however, must be planned for, on the assumptions (a) some people will be so highly motivated they will attempt to move into stricken areas in spite of fear of radiation, (b) refugee camps, welfare stations, hospitals and similar places will become targets for convergence, (c) many convergence activities will simply be postponed until movement and communication are possible.

8. If surviving officials are to exercise effective leadership, they must be prepared with knowledge, training and adequate resources required to cope with survival problems. Assuming scarcity of communication on a nation-wide basis, there must be prepared flexibility in terms of broad national policy, so that isolated areas may keep moving in accordance with national objectives and policies, even during a period when communication and authority links are tenuous.

9. Shifts in leadership will occur among officials. New leaders will arise. They should be spotted and communicated with as soon as possible. In most cases, it would be better to legitimize their actions and try to incorporate them into the governmental structure, than to try to deprive them of leadership.

10. Large numbers of people will survive the effects of a nuclear attack despite food shortages and severe deprivations. The number who survive may well be greater than expected or initially estimated. It would be a serious mistake in survival planning to underestimate the number of survivors.

11. Isolated groups of survivors will tend to develop their own forms of social organization. During a period when many groups are isolated there may also be a hiatus in orderly functioning of government. The problem of national reorganization, therefore, will not be so much to bring initial organization to unorganized masses of people as it will be to reincorporate different organized groups into a national system.

12. Morale of the surviving population is likely initially to be higher than officials estimate it to be. Officials should not judge the state of morale hastily on the basis of statements of a few "spokesmen," and they should remember that grousing and grumbling do not necessarily indicate that morale is low. Competent observations and adequate communications are necessary before "morale" can be accurately judged on a national level.

13. People soon recover from losses, trauma, and deprivations caused by disaster. Their recuperability is usually greater than the outside observer would expect. Work and responsibility are important steps to recovery; therefore, survivors should be given tasks to perform in the emergency, and also during the recovery efforts.

14. Contemporary thinking often tends to overemphasize the factors that may work against national solidarity in an attack (e.g., difficulties in providing informal mutual assistance during periods of fallout, breakdown of national communications networks, critical shortages and maldistribution of critical resources, etc.). It also tends to underemphasize factors which historically have been observed to work in favor of national solidarity (e.g., the disaster can be attributed to an outside enemy, the indiscriminate nature of the groups affected, presence of pre-existing sense of national identification, including strong personal ties connecting people in all parts of the country, etc.). Despite the impossibility of making a direct extrapolation from previous disaster experience, it is clear that nuclear attack does not mean that the "end of civilization," "anarchy," "the war of all against all" or that other dire predictions will necessarily come true. Rather, factors which will operate for and factors which will operate against national social solidarity can be identified and plans can be made to capitalize on positive forces.

15. One of the greatest dangers to social solidarity is the possibility of the population being divided because of the circumstances of attack into such classes as "refugees" and "natives," or "haves" and "have-nots" in terms of vital resources. One of the major instruments of social planning and policy is the supply of food and other critical items. A second major instrument is a two-way national communications capability, so that people can be reached and in turn can reach the leadership. A third instrument is the existence of plans and capabilities to commence long-term recovery and rebuilding efforts as soon as possible.

IMPLEMENTATION

The Federal Civil Defense Administration will continue to coordinate its research efforts with other Departments and Agencies of Government for the purpose of furthering understanding and solution of human behavior problems related to civil defense. It is suggested that the conclusions presented in this paper be taken into consideration in all governmental planning involving disaster situations.

Attachment

THE CABINET

Human Behavior in Disaster -- Salient Specific Findings

A. The pre-warning or pre-disaster period.

1. The ways people respond to warning and disaster are influenced by their experiences and by the groups, communities, societies, and cultures in which they live prior to disasters. There are a variety of such types of influences. Tracing them is a complex and technical task which must be done for each society and locality if predictions are to be made of behavior in that society and locality. Some of the more general and important of these influences will be obvious in the remainder of this paper.

2. Knowledge exists* of current attitudes and information among the United States' population towards war and civil defense. As an illustration the summary of the 1956 and 1957 studies is given below.

2.1 During the last two years civil defense has become better known as a term and as a visible organization in communities.

2.2 Most people who were in or near natural disasters during the last year or two expected civil defense to help in such natural disasters.

2.3 In late 1957, the one-in-four who see war in two to ten years is considerably less than the one-in-two who felt so in 1956.

2.4 As of the summer of 1956, world war seemed unlikely and the chances of war were not seen as increasing. In late 1957, the minority who foresaw war in two years or less had doubled from ten to twenty per cent from 1956.

2.5 The feeling that local areas would be in danger in World War III was steadily increasing.

2.6 The minority who see no war in twenty years has tripled since 1956. About one in eight now hold this opinion.

2.7 A majority of the population feel that an attack on the United States would be less than "devastating" or even "fairly successful" from an enemy's point of view.

2.8 Estimates of H-bomb damage are steadily increasing.

2.9 Half the population expect maximum mortality over a radius of 20 miles or more.

2.10 Half the population expect a warning time of 25 minutes or more as of 1956.

2.11 Radiation is increasingly seen as a major hazard in atomic attack.

2.12 The existence of a hazard from radiation was known to at least 70 per cent of the population in 1956 and 1957.

2.13 Civil defense preparedness stresses home protection, but only a meager handful have carried out anything specific.

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* The main source is the studies conducted for FCDA by the Survey Research Center of the University of Michigan.

2.14 In 1956, evacuation, when feasible, was seen as a pre-attack measure, primarily when attack has occurred elsewhere. Only a few predict evacuation for themselves after a local alert.

2.15 In 1957, people continue to think primarily in terms of shelter rather than evacuation, although support for the use of shelter has dropped.

2.16 Some notion of what to do AFTER an attack has jumped considerably during the past two years.

2.17 In 1957, public confidence in availability of protective measures against fallout had dropped significantly -- 50 percent from the 1956 figures.

2.18 Knowledge of warning signals has not changed in two years.

2.19 One out of two people say they would turn on the radio in case of attack.

2.20 Conelrad was known by one out of four people in 1956. This information had doubled in two years.

B. Warning

3. It is very difficult to successfully warn people against impending disaster when they cannot actually perceive the danger and have not experienced that danger in recent years. The odds are against the immediate acceptance of first warnings by the majority of the population.

4. There are many factors which have operated against the transmission or acceptance of warnings, some of which are:

4.1 Difficulty in actually predicting the existence, nature, and time of danger.

4.2 Reluctance to issue warnings because of the stereotyped belief that panic will result. (Relatively extensive evidence from studies of warning situations gives no support to this fear. Specific exceptions can be inferred from the discussion of panic to follow.)

4.3 Delays in relaying warnings through systems requiring human decisions and relays.

4.4 Ambiguities and lack of clarity in warning messages and signals.

4.5 Difficulties in diffusing warning messages and instructions unadulterated through mass media channels.

4.6 Reluctance of populations to accept and act upon warnings immediately and their tendency to seize upon ambiguities and other factors to deny or postpone acceptance of the reality of danger.

4.7 Likelihood of factors conditioning populations to deny or postpone recognition of danger and action, such as previous experience (e.g., "floods never got that high before") and "negative" conditioning (e.g., "the siren must be another test").

5. Warning can be effective. There are outstanding examples of populations being warned successfully, especially where there was a thoroughly understood and well-rehearsed warning signal and plan of action (e.g., school fire drills) or where people were already much aware of a potential threat and had already thought about what they would do if the threat ever materialized.

6. A warning system should transmit a signal or signals uniquely associated, by the recipients, with a single specific danger, or with a class of dangers all of which require the same protective actions.

7. Warning is of little value for unusual or infrequent disasters unless it is associated with clear instructions about the protective actions that should be taken. When warning time is short, this instruction must be given in advance. Plans of action are much less effective unless they are practiced sufficiently.

8. Factors influencing a persons's decision to take protective action or make preparations are believed to include: (1) how great he believes the threat to be, in terms of the probability that it will actually materialize and the losses he or loved ones will suffer if it does; (2) what countermeasures he believes to be available, how effective he thinks they will be against the danger, and whether he thinks he can actually prepare these countermeasures (3) the cost -- in terms of money, time, effort, giving up of pleasures, or worry and anxiety -- of taking the countermeasures; (4) the time element, in terms of how long he believes it will be before action must be taken.

9. Factors mitigating against evacuation from a threatened area include desire to remain with and protect property, fear of loss of revenues from closing businesses, desire to stay with other persons who do not intend to evacuate, belief that one's own situation (e.g., his house, or his distance above sea level) is safe, belief that one's own interpretation of the danger is more accurate than that of the authorities or a tendency to mistrust or discount the competence of the authorities issuing warning.

10. It is estimated that with the present degree of public knowledge and understanding, no more than 10 to 25 per cent of the population would take shelter within 15 to 30 minutes after the sounding of the warning, but during a longer warning period increasing numbers would move.

C. Survival behavior during immediate threat and impact.

11. When people have no previous warning, the recognition of danger is frequently delayed. They often persist in interpreting signs of danger as familiar events -- e.g., interpreting the roar of a tornado as the sound of a train. Especially when the disaster agent is unfamiliar, this tendency may continue until it is too late to take adequate protective action.

12. When danger is recognized as imminent and personal, people seek safety or escape and their behavior is generally adaptive; they usually take action to protect themselves and others, rather than "freezing up" or engaging in irrational acts which increase the danger. The success of actions taken depends to a large extent upon the possibilities available in the situation and the adequacy and accuracy of information people possess.

13. Even during hectic, violent impacts many people, perhaps most, continue to act, when they can, with reference to other people in the immediate environment, particularly loved ones. The family group becomes extremely important and remains so throughout the disaster.

14. The nature of the danger agent limits the possibility for survival action. The major problems are different, for example, in a tornado and in an epidemic, and different actions result. (In an epidemic or toxicological episode the chief survival problem is to keep oneself and one's loved ones as much as possible from contact with the dangerous element.)

15. Persons with training appropriate to the emergency, and persons with recognized responsibilities for others, tend to behave more calmly and adaptively.

16. Flight is one means of escaping danger. It is more often orderly and controlled, rather than disorderly or panic-stricken. It is often the only rational choice if one is to survive, and it should not be equated with cowardice.

17. Mass panic occurs rarely. It is most likely to occur when (a) people perceive an immediate, and severe danger, (b) they believe there is only one or at best a limited number of escape routes from the danger, (c) they believe those routes are closing (not closed) so that escape must be made quickly, and (d) there is lack of communication to keep them informed of the situation. The panic of individuals occurs more frequently than mass panic. While individual panic can spread, the development of such a condition can usually be stopped by appropriate measures.

18. During and immediately after impact people tend to define the situation in terms of what is happening to themselves and their immediate surroundings and to think of it as something happening only there. As a result they are likely, at first, to underestimate the effects of the disaster. As they learn the extent of destruction, death, and injury they then often temporarily overestimate the effects of the disaster.

D. Behavior in the post-impact emergency period.

19. The most significant problems of behavior in the immediate post-impact period derive from social disorganization and uncoordinated action rather than from irrational individual behavior or helplessness of the survivors.

19.1 A disaster-struck population is not, as a common stereotype implies, a dazed, helpless mass. Many of the immediate and pressing rescue and relief tasks are accomplished by the survivors themselves, before help arrives.

19.2 Most victims are temporarily stunned, confused, and somewhat disoriented after the impact of sudden disaster. Some persons remain in this state, and others relapse into it immediately after performing minimal tasks to help themselves and others nearby, and appear to incoming rescue workers to be in a state of "shock." Some of these persons require special guidance and attention. Others quickly regain sufficient orientation and self-control to extricate themselves, and if they are physically able, they assist family members, kin, neighbors, and friends. Many go on to help the community in general. The proportions of persons who experience different degrees of disorientation and the durations of these states are uncertain, but the evidence is clear that in peacetime disasters: (a) the numbers in such a state of "shock" that their behavior seems automaton-like is in a small minority although there are likely to be some individuals who require special attention, (possibly the proportions, and certainly the numbers of persons temporarily incapacitated by "shock" would be greater following a thermonuclear attack), (b) most victims are probably performing less efficiently and discerningly than they normally do, (c) many of the persons who seem to the outsider to be in a state of "shock" are not but are deeply preoccupied with something important to them, such as searching for loved ones, (d) apathetic or dazed behavior may appear after victims have received help and can relinquish rescue tasks, and (e) substantial proportions of the populace soon regain enough equilibrium to engage in useful rescue and welfare tasks.

19.3 Much of this informal activity, however, is sporadic, unsystematic, and inefficient because it is "grooved" along the pre-existing channels of intimacy and friendship and tends to be focused on limited tasks. The separate and independent actions of many thousands of people and small groups each trying to cope with the disaster effects in their own way produce duplication of effort or conflicting patterns of action. They comprise a "mass assault" on the problems of disaster which frequently accomplishes the essential tasks but with great inefficiency of effort.

19.4 The central task of disaster management in the immediate post-emergency period is to broaden people's focus of attention and re-establish general, coordinated action for the total mass of individual and small group actions. The accomplishment of this task requires speedy and accurate reconnaissance, a competent intelligence network, and the capability of disseminating information and instructions to a wide segment of the surviving population.

20. Uninjured survivors are usually capable of performing organized rescue and relief tasks on a community-oriented basis, if they are given clear directions.

20.1 Disaster survivors usually are docile, sensitive to the needs of others, and suggestible to communications which tell them what to do to counteract the danger and relieve human suffering. Many people want to help in the rescue and relief effort, but they often do not know what to do or they do not have the equipment or supplies needed to perform their tasks. Such people can be effectively utilized if they are given specific, clearly-defined tasks to perform.

20.2 The performance of a useful task, in itself, is an important means of overcoming the fears and anxieties generated by the disaster, as well as being a means of decreasing damaging psychological effects.

21. Uncertainty over the fate of loved ones creates great anxiety and intensive search efforts which often interfere with the performance of more general community-oriented tasks. This is one of the aspects of post-impact behavior which is most difficult to control and deal with.

22. Reacting to the separation of family members becomes a particularly important problem for personnel who have important official disaster responsibilities. It is difficult for any person, however great his responsibilities, to go about his duties and not try to seek and help his loved ones. The conflict between his official duties and his family responsibilities may seriously impair the efficiency of his work. For this reason, it may be wise to make special plans for reassuring persons who have important disaster responsibilities about the location and condition of their families.

23. In addition to conflict between official duties and duties as family members, other "role conflicts" occur, such as whether to help in the rescue and care of survivors or to perform other tasks, such as reconnaissance, which do not seem so immediately imperative.

24. In natural disasters one of the central problems of coordination and control, derives not from the victim population, but from the informal spontaneous "convergence action" of persons residing outside the disaster area. The application of this phenomenon in a nuclear attack must be made with caution. The devastation in a nuclear attack might be so widespread that the majority of the surviving population would be isolated or pinned down in the fallout area, although some individuals may persist in searching for loved ones in spite of the danger. Convergence on hospitals, refugee camps, welfare stations and similar places is still likely; however, further convergence activities may be expected to occur after movement and communication are again possible.

24.1 Contrary to the popular image of behavior in natural disasters, movement toward the disaster area usually is both quantitatively and qualitatively more significant than flight or evacuation from the scene of destruction. Within minutes following most peacetime disasters, thousands of persons begin to converge on the disaster area and on first aid stations, hospitals, relief, and communication centers in the disaster environs.

24.2 Simultaneously with this physical movement of persons, incoming messages of anxious inquiry and offers to help from all parts of the Nation and foreign countries begin to overload existing telephone, telegraph, and other communication and information centers in the disaster environs. Shortly following, tons of unsolicited equipment and supplies of clothing, food, bedding, and other material begin arriving in the disaster area or in nearby relief centers.

24.3 In virtually every disaster studied, the informal convergence on the disaster area and the uncoordinated mass assault on the problems posed by the disaster have seriously hampered the administration of organized rescue, medical, emergency relief, and rehabilitation programs. The movement of emergency vehicles is often blocked by severe traffic congestion; essential outgoing messages are frequently delayed as a result of the heavy volume of incoming inquiries and messages; and the tons of unsolicited goods, in large proportion comprised of unneeded and unusable materials, greatly contribute to traffic congestion and require personnel and facilities for handling and storage that could be used for more essential tasks and functions.

24.4 Although the initial convergence is from areas contiguous or proximate to the disaster site, the process continues for days and weeks following the disaster as wave after wave of persons from successively distant points send messages and supplies or personally travel to the disaster area.

25. People who converge on a disaster scene have a variety of motivations. It is customary to refer to the convergers as "sightseers" but this term simply obscures the different motives represented among the people who go or send messages or supplies to the disaster scene. It is possible to distinguish at least five major types of convergers:

25.1 The Returnees -- residents who were absent when the disaster struck or who have temporarily evacuated, but who wish to return in order to search for family members or property; assist in the rescue and relief efforts; or simply to live in the disaster site.

25.2 The Anxious -- people who are separated from family members or other loved ones and who are concerned about establishing their whereabouts and condition.

25.3 The Helpers -- people who wish to aid in the rescue, relief, and rehabilitation work.

25.4 The Curious -- people who want to perceive and comprehend an unusual and unfamiliar event.

25.5 The Exploiters -- people who, in a variety of ways, wish to exploit the situation for private gain or special group advantage.

26. Effective control of convergence requires a national system of disaster planning and control. Even in isolated, single-community disasters, the converging people, messages, and supplies originate in many parts of the Nation and in a number of foreign countries -- demonstrating the broad scope and complex interrelationships of people who are affected by a disaster in a single community. Effective control of convergence requires satisfaction of the needs which cause convergence and this depends upon adequate information, positive direction, and guidance rather than indiscriminate restraint.

27. Leadership is an important determinant of how quickly and effectively needs are met in disaster. This is true in the warning and surivival periods, as well as in the post-impact phases.

27.1 In the post-impact phase most people at the disaster site are readily responsive to authoritative figures (particularly persons in uniforms of all types) and persons exercising leadership roles. People tend to look first to established or readily recognized leaders and officials. The authority structure of the community is rarely challenged in its basic outlines. (For example, even if the chief of police or another person possesses the capability and assumes the major initiative in the post-impact emergency, he is not likely openly to challenge the authority of the mayor; and the mayor, in turn, is likely to act to legitimize the actions of the initiator.) The implication is that the first tendency is for people to look to the established officials, agencies, and lines of authority.

27.2 However, human groups do not remain leaderless; vacuums in leadership are quickly filled. If (a) there are no established, recognizable leaders in a disaster situation, (b) or those expected to provide leadership do not do so, leaders emerge who assume or who are given leadership. Each disaster produces a number of cases of "emergent leaders," who include persons who assume new responsibilities quite unlike those of their normal lives and also those who extend their normal responsibilities or skills to wider areas or higher levels of authority. People who function well and are fully accepted as leaders in one phase of disaster may not function as well or be accepted as leaders in another phase.

27.3 In prolonged periods of danger or deprivation, shifts in leadership must be expected unless the existing leaders successfully demonstrate their ability to cope with survival problems.

28. Rumor, or informal word-of-mouth communication becomes the predominant method of transmitting information among the populace in large-scale disasters. Where the technical facilities of communication are destroyed or inaccessible to the populace, the vast majority of people living in and near the disaster site derive most of their information concerning the disaster from word-of-mouth sources.

29. It is conventional to equate "rumor" with false or misleading information and assume that information communicated verbally is necessarily subject to increasing inaccuracy or distortion as it circulates. Recent findings from disaster research, however, suggest that this generalization requires important qualifications:

29.1 The accuracy of verbal communication is largely dependent on (1) the degree of personal involvement a person has with the accuracy of the information, and (2) the ability to check word-of-mouth communications against direct discernments and other authoritative sources of information. When, for example, people's lives or the safety of loved ones depends on the accuracy of information communicated verbally, people are more likely to weigh and sift such information, and check it with other information and their direct awareness of the situation before transmitting it to others. In such instances (e.g., among groups who are seeking safe egress from a disaster-stricken area), verbal reports may become more and more accurate in the process of circulation. Information communicated orally by people in and near the disaster area is frequently more accurate and specific than information available to official disaster agencies and the mass media of communication.

29.2 Distortion, ambiguity, and inaccuracy in the information orally tend to increase with distance from the disaster scene or the primary source of information. (The same generalization seems to apply to information communicated via mass media of communication.) Information about what has happened in the disaster area, who has been affected, and what the critical needs of the population are becomes increasingly vague and distorted as one moves outward from the disaster area. As a consequence, people who are located at considerable distances from the disaster site often receive highly garbled and inaccurate information about the nature of the disaster, and their actions with reference to the disaster often take the form of (a) seeking further information from what they consider reliable sources, thereby placing overloads on remaining communication channels, or (b) taking actions on the basis of the distorted information and thereby engaging in nonadaptive forms of behavior. In either event, the problem of disaster control becomes greatly compliacted. Correspondingly, people in or near the disaster site who require information about what has happened outside the area often receive distorted and inaccurate information about what has happened in other areas.

30. Overall coordination and control of the rescue and relief efforts in disaster are difficult to achieve. There is always some confusion. The degree and seriousness of confusion vary considerably according to (a) the existence or non-existence of workable pre-existing disaster plans on a community-wide basis, (b) the disaster leadership abilities of key officals and other leaders, (c) the nature of relationships among officials, agencies, and groups in the pre-disaster community, and (d) whether outside agencies that come to assist actually help or complicate the organizational situation.

30.1 Confusion in natural disaster often appears greater to the outside observer than it really is, for he does not know the purposes of many actions, which seem confused and disorganized to him, whereas the actions do have purpose and organization for those performing them.

30.2 In spite of imperfections in coordination and control, the gross effort at rescue and relief usually succeeds in accomplishing a tremendous amount of work in a short time and the major needs of victims are met quickly. Loss of life or property can rarely be demonstrated to be the result of imperfections in overall control and coordination. Errors have occurred, however, which in a larger disaster could clearly result in further loss of life.

31. Some observers and research workers feel that full containment and control of the mass assault on disaster needs -- an assault undertaken by victims, volunteer helpers, and a large variety of public and private, local and outside agencies -- is an unrealistic goal. The resources of those in overall authority should be utilized for such purposes as (a) maintaining intelligence and a full, up-to-the minute strategic overview of the situation, (b) breaking bottlenecks, providing leadership on a selective basis, facilitating critical work, establishing key communication links, solving major problems, or exercising controls where there is most need on a strategic, priority basis, and (c) coordinating requests for outside aid, controlling the inflow of personnel and materials from outside, and handling relationships with outside agencies and officials.

32. Problems of coordination and control have their roots in (a) the difficulties and limitations set by the physical situation, (b) the effects of the situation on the performance of individuals and groups, (c) problems of organization, including unclear division of labor and allocation of authority, (d) inadequate communication. More specifically, these factors include:

32.1 The physical disorganization of the stricken area, sometimes including routes of egress and ingress.

32.2 Darkness, unfavorable weather, and other natural conditions.

32.3 The congestion and confusion resulting from convergence of personnel, supplies, and messages; the general lack of adequate systems of controlling or directing the people converging for various reasons.

32.4 The inherent difficulties in organizing and managing large numbers of untrained volunteers and the general lack of specific plans and facilities for screening and using volunteers.

32.5 A great sense of urgency to act, to get something done to help the victims, which makes taking the time to communicate and coordinate decisions seem a luxury. This feeling affects officials as well as volunteers, but it is modified by training and experience.

32.6 The fact that under great stress it is more difficult to exercise the more complex intellectual processes, such as looking ahead and thinking about the indirect consequences of a decision -- except for the highly trained and experienced and those few individuals who become abnormally efficient in crises.

32.7 Lack of workable, pre-existing disaster plans on a community-wide basis. Plans which exist only on paper prove useless in providing organizational structure, though they are sometimes helpful in such things as locating needed supplies. Research has identified a number of human factors which contribute to failure to perform according to plan, important among which are lack of prior understanding or acceptance of the part one is to play and conflict between whether one should report to his post or help those in immediate need around him or look after his own family.

32.8 Inadequate communication. This is sometimes due to destruction of facilities. More often there is soon an abundance or overabundance of emergency communication equipment and nets. The larger communication problem lies in improper and unsophisticated use of communication -- as, for example, lack of error-checking, failure to reconcile different messages, failure to share information.

32.9 The lack of early, systematic reconnaissance and other procedures for maintaining a central strategic overview of the situation.

32.10 The lack of essential central coordinating mechanisms, such as means of coordinating requests for supplies or distribution of patients among hospitals.

32.11 Ambiguity concerning which official or agency has the authority for which decisions.

32.12 The absence of an agreed-upon, understood division of labor among different groups and agencies.

32.13 The occurrence of occasional disputes concerning authority, responsibilities, and jurisdictions.

E. Emotional and psychosomatic aftereffects.

33. Most people who directly experience a disaster or who are closely identified with the victims suffer some form of emotional or psychosomatic aftereffects in the early post-disaster period.

33.1 Within a few hours following the disaster, a majority of the victim population generally manifest one or more of the common symptoms of stress -- nausea, vomiting, diarrhea, loss of appetite, tremors, feelings of fatigue, nervousness, etc.

33.2 For a period of days and weeks following the disaster, sizeable proportions of the disaster-struck population also experience sleeplessness, inability to concentrate, hypersensitivity to disaster stimuli, loss of appetite, headaches, anxiety dreams, a sense of unreality or confusion, and similar emotional disturbances.

33.3 In most cases these transient disturbances are not sufficiently incapacitating to prevent people from performing useful tasks with reasonable efficiency. Moreover, despite such widespread disturbances, they usually do not eventuate in heavy drains on psychiatric and medical facilities. Investigators believe that when people recognize that the symptoms derive from the disaster and that they are widely shared among the population, this recognition in itself helps to alleviate anxiety and aids the recuperative process.

33.4 The existence of these types of reaction to any disaster, however, raises a serious problem in emergency medical diagnosis and treatment of victims of a nuclear attack. Many of the symptoms noted above are also associated with radiation sickness. Unnecessary anxiety may be aroused if the population believes that these symptoms indicate contamination. On the other hand, too much assurance that these symptoms are usual aftereffects of a disaster may cause actual radiation victims to fail to seek medical attention. A similar problem arises in the briefing of medical personnel; failure to emphasize that these symptoms will occur without exposure to radiation may result in diversion of effort from actual radiation victims; while overemphasis on the possibility of emotional stress symptoms may result in the symptoms of actual radiation victims being dismissed as psychosomatic in origin (thus delaying treatment until it is no longer effective). The possibility of this type of confusion between symptoms of radiation sickness and normal emotional reactions to stress, strongly emphasizes the need for the widespread use of film badges or other devices which will facilitate rapid determination of exposure to radiation. Research is continuing on early methods of diagnosing radiation injury and its treatment. At present, there is no sure diagnosis or treatment in the early stages.

34. Since so many of the emotional and psychosomatic symptoms arise out of situational factors such as fear for the safety of self and intimates, separation of family members, disruption of normal routines, and anxieties concerning the future, an effective treatment lies in the alleviation of the situations which produced them.

34.1 The minimization of exposure to secondary traumatic stimuli (e.g., the sight of many corpses and horribly injured persons); the rapid reuniting of families; the restoration as far as possible of familiar occupational routines; rapid and effective efforts at reconstruction and rehabilitation; and measures designed to protect the populace from further danger are positive steps that can be taken to prevent and ameliorate undesirable emotional and psychosomatic aftereffects.

34.2 The majority of survivors normally respond favorably to such secondary forms of treatment, as well as to the emotional support and reassurance which they receive informally from relatives, friends, and associates. A small proportion of cases, however, may still require individual psychological or psychiatric help. Even a small proportion, however, may constitute large numbers in a wartime attack.

34.3 Disaster and war are known to aggravate pre-existing personality disorders of some persons, while they alleviate those of other persons. Data are not available to predict the number of people who would be affected in these divergent ways by nuclear attack or the nature of the effects.

35. Although the transient emotional disturbances noted above are almost universally present among disaster-struck populations, both World War II and recent peacetime disaster studies show a low frequency of major chronic forms of psychopathology; psychoses, traumatic neuroses, prolonged depressive states and other persistent disorders. World War II studies of British, German, and Japanese populations exposed to air raids support the general view that those who suffered such disorders tended to have a previous history of mental illness or a predisposition to emotional instability.

36. Studies of children who were separated from their mothers during the bombings of England indicate that this separation was more damaging psychologically than the actual experience of the bombings. This was particularly true for younger children.

36.1 During threat and impact small children take their behavior cues from parents, or other adults who are present. If the parent exhibits fear, the child is much more likely to experience it. Peacetime disaster studies indicate that the severity and persistence of emotional upsets in children is partly attributable to the manner in which parents behaved during threat and impact and the post-impact phases.

36.2 Teenage youths repeatedly exhibit a strong desire and capability to perform useful tasks in rescue and relief work.

37. The types of human behavior, described in these studies, must be applied with caution. Some emotional and psychosomatic aftereffects might be modified in a thermonuclear attack of nation-wide proportions. With transportation and communications systems badly crippled the benefits of our specialized society will not continue. A radical readjustment to a more primitive type of existence will be necessary. People will need to rely upon their immediate environment for the physical necessities of life. These conditions may continue for weeks or months. To be better prepared to meet and understand the problems caused by such an attack it is necessary to continue our programs of research in the social sciences designed to assist us in preserving as much as possible of our social, political, and economic way of life.

F. Social effects

38. The net result of most disasters is a dramatic increase in social solidarity among the affected populace during the emergency and immediate post-emergency periods. The sharing of a common threat to survival and the common suffering engendered by the disaster tend to produce a breakdown of social distinctions and a great outpouring of love, generosity, and altruism. During the first days and weeks following a major community-wide disaster, people tend to act toward one another spontaneously, sympathetically, and sentimentally, on the basis of common human needs rather than in terms of pre-disaster differences in social and economic status.

39. Social solidarity is of major significance in maintaining morale and in facilitating both personal and social recuperation.

39.1 It helps persons overcome the shock of severe personal injuries, losses and deprivations, and it motivates volunteer participation in the numerous rescue, relief, and restoration tasks.

39.2 It reduces or prevents many of the anti-social forms of behavior that would be expected on the basis of normal, everyday experience. Even though the opportunities for looting and other forms of exploitation may be increased by disaster, the motivations to engage in these forms of behavior are usually reduced by widespread suffering and the development of a strong sense of social cohesion.

40. Local social solidarity poses operational problems for outside relief and control agencies.

40.1 If the informal mass assault has fulfilled a large share of the immediate emergency needs, as it usually does in domestic peacetime disasters, a strong in-group feeling of well-being and pride of accomplishment tends to develop. If the actions of the outside agencies do not coincide with the new sentiments and emergency norms that have arisen among the affected populace, the outsiders may be criticized and resented.

40.2 On the other hand, outside persons or agencies which adjust to the local sentiments of solidarity and enable the local populace to pursue their self-determined course of action usually are accepted and accorded high praise.

41. If there is no recurrent or persistent threat to survival after emergency tasks have been completed, the newly-created social solidarity gradually disintegrates.

41.1 As larger and larger numbers of people re-establish themselves and return to normal pursuits, social differentiation returns and the standards of reference change from values of survival to values associated with continuity and stability. Property values and concern with material symbols of status reassert themselves.

41.2 The return to the normal conditions of existence is likely to be uneven, varying in accordance with the extent of personal loss, property destruction, and resources available to restore the losses.

41.3 It is during this period, when persons begin comparing their losses and deprivations in terms of pre-disaster standards of value or when there appears to be inequality in the dispensation of relief and rehabilitation resources, that social conflicts and resentments may appear. Some are newly-engendered by the disaster experiences; others represent the reawakening of old conflicts. At the same time other conflicts are healed and new forms of cooperation arise.

42. The rapid shift in values from normal to emergency, from social differentiation to social homogeneity and, thereafter the uneven, selective return to normal standards, often create difficulties for organizations which have formal, standardized policies and procedures for administering relief and rehabilitation.

42.1 Many of the problems of disaster management result from the temporary lack of "fit" between the victim population's conceptions of its own needs, and conceptions held by the organizations attempting to administer aid to this population. As a consequence of these different conceptions, the activities of the organization and the needs of the clients may result in incompatibility and even conflict.

42.2 From an organizational viewpoint, solutions to this problem lie primarily in developing (a) more flexible policies and procedures, (b) greater sensitivity to the prevailing climate of opinion among the victim population, and (c) greater operational capacity to make rapid adjustments to local situations.

42.3 Hostility of the people toward authority might be a problem in situations where the disaster experience was much more shattering than authorities had indicated would be the case.

43. Serious errors in judging the extent and severity of hostility and aggressive reactions are likely to occur if reliance is placed solely on information from the mass media of communication or on the interpretation of a few individuals in a disaster-struck area.

43.1 An erroneous impression of widespread fault-finding and search for a scapegoat is often fostered in a community by a few vociferous people who try to use the disaster to secure power, status, prestige, or other rewards for themselves or for special interest groups. These "issue makers" oftentimes utilize newspaper editorials, feature articles, letters to the editor, and other media of mass communication to express themselves, thereby creating a misleading impression of the generality and representativeness of their viewpoints.

43.2 A similarly erroneous impression develops among outside officials responsible for administering relief and rehabilitation programs, because they frequently assume that hostile outbursts by local public officials and representatives of local professional and voluntary associations are necessarily representative of widespread disaffection among the populance.

43.3 Disputes and conflicts concerning authority, responsibilities, and jurisdictions frequently arise at the formal group level because local officials and organizational representatives interpret the outside agency's actions as unwarranted encroachment of authority, attempt to usurp power and dictate policy, or attempt to claim credit for local successes in coping with the disaster. Such disputes frequently do not concern the disaster victims who are often unaware of them.

43.4 Although the "issue-makers" and local authorities who develop hostility to outside authorities usually do not have widespread public support for their viewpoints, they create issues on which the public may be expected to take a stand. They may engender disruptive public conflicts which may hinder the effective administration of relief and rehabilitation programs. National governmental and relief agencies, in particular, must be alert to this problem and anticipate it in shaping their plans and operations for disaster. This problem emphasizes the need for developing a method designed to provide accurate information about the climate of opinion among the affected disaster-struck populace.

44. Disaster-stricken communities and the large majority of families and individuals exhibit a high degree of resiliency and recuperability. The morale of survivors is almost inevitably higher than would be expected by one who has not himself experienced the disaster.

44.1 Disaster-stricken communities rebuild and the rebuilding usually commences within the first few days following impact. The large majority of dehoused families return to their original residential locations, and in World War II many thousands continued to live in the wreckage of their home neighborhoods and went through further bombings, while other thousands returned from the safety of evacuation to be with their families and to secure their own property while the bombings still continued. Victims are often pessimistic and discouraged during the first few hours or days following impact. For most people enough hope to sustain return, rebuilding and reestablishment of family routines develops in just a few days. These processes are sometimes delayed by physical circumstances which prevent return to the community or reuniting of the family.

44.2 Opportunities are sometimes created and utilized for physical improvement in the community and homes. The community tends to be restored, however, around the pre-disaster pattern of land-use. In general, this was the case with the heavily bombed cities of World War II.

45. In large-scale evacuations, modern nations usually billet evacuees in private homes, and provide some form of compensation to the hosts. A variety of strains and tensions develop between host and evacuee families over a period of time. Considerably more detailed data has been made available on these problems as a result of studies since World War II. Although enough study has not been completed to regard these findings as firm bases for policy guidance, the results of two studies tentatively challenge existing evacuation doctrine in this sense. It is usually planned to billet people with families who have similar religious and social background, although these studies revealed that there was more conflict among people of similar backgrounds than among people of different backgrounds.

46. The studies of natural disasters, World War II and related experiences have produced a reservoir of data from which certain social inferences may be derived. The application of these findings to civil defense, however, must be undertaken with caution. Thermonuclear warfare with its potential nation-wide damage to the population, institutions, and resources is quite different from that of a somewhat localized natural disaster or even the World War II experiences. In a natural disaster the total resources of the Nation may be brought to bear to aid the afflicted area or areas. In a war-caused disaster, the whole Nation may be experiencing the same catastrophe at the same time. It is, therefore, necessary to relate our research not only to human society and its elements, but also to the relationships and institutions -- social, political, and economic -- involved in man's existence and well-being as a member of organized society, The data developed by these studies, as well as those on public attitudes must be applied on a wider conceptual framework in order to be of maximum use to civil defense. We must know the resources available to insure physical survival, and the ability of our governmental and social institutions to manage and control a national war-time situation in a manner comparable to our control of natural disasters.

CABINET PAPER—PRIVILEGED
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CA - 58-104

April 30, 1958

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, May 2, 1958

1.	Review of the Economic Situation	(Oral)	The Chairman, Council of Economic Advisers; The Secretary of the Treasury
2.	Implementation of the Program for Accelerated Procurement	(Oral)	The Director, Bureau of the Budget
3.	Proposed National Civil Defense Plan	CI - 58-56	The Administrator, Federal Civil Defense Administration
4.	OPERATION ALERT, 1958	(CI - 58-44/2)	The Director, Office of Defense Mobilization; The Administrator, Federal Civil Defense Administration

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

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E.O. 11652, Section 1

By DHC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

May 2, 1958
9:10 A. M. -- 11:05 A. M.

The following were present:

President Eisenhower

Under Sec. Herter
(for Sec. Dulles, who came in for last item only)
Sec. Anderson
Sec. McElroy
Mr. Rogers
Mr. Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Asst. Sec. Richardson
(for Sec. Folsom)

Mr. Stans
and Mr. Merriam
Mr. Gray
Dr. Saulnier

Hon. Leo Hoegh, FCDA
Adm. Strauss, AEC
Hon. Albert Cole, HHFA
Hon. Sumner Whittier, VA
Hon. E. K. Mills, GSA

Gen. Persons
Mr. Rabb
Gen. Goodpaster
Gov. Pyle
Mr. Morgan
Mr. Martin, in part
Mr. McCabe
Mr. Robert Gray
Mrs. Wheaton
Gen. Cutler
Mr. Larson
Mr. Randall
Mr. Siciliano
Gen. Bragdon
Mr. Warrington
Mr. Patterson
Mr. Minnich

Economic Situation - Dr. Saulnier recalled comparisons previously made of this downturn with preceding recessions and stated that it had now become clear that the current situation was more severe than 1953-4 or 1948-9 but still was not so severe as earlier ones. After citing current statistics on employment, retail sales, automobiles, exports and imports, he noted a slight tendency of the recession to spread to industries and activities heretofore untouched, also a tendency to spread internationally though no reliable figures had yet become available. He concluded that the downward trend had abated somewhat but had not yet flattened out. He believed the second quarter would be

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too soon for expecting the upturn and stated that most professional economists foresee the upturn only in the fourth quarter but optimists might predict a third quarter upturn.

Sec. Anderson distinguished between the 17% decline since August in durable goods and the much lesser 6% decline in non-durables. He noted the 1.6 million of the 2.1 million increase in unemployment over 1956 and 1957 was in the durable goods industries, also that there is a continuing high total of personal expenditures, government expenditures, personal savings, but that consumer reluctance is still evident. He foresaw an upturn in steel production in the third or fourth quarters, and he was concerned as to future automobile sales should there be a "fad" of not liking American cars.

Sec. Anderson felt that an upturn would occur even without a tax reduction, and that an unfounded and dangerous impression would be created -- if taxes are reduced -- that the credit for the upturn should be given to the tax reduction. Despite the unpopular nature of worrying now about inflation, he reminded the Cabinet of the expected deficits of $3 billion and $8 billion or more for the next two years, the difficulty of making substantial reductions in the very small area of the budget not concerned with real essentials, and the existence of built-in stabilizers that are presently helping the economy. He emphasized, above all, the importance to the Nation of corrections in the price structure and the very serious difficulties that would come later if the Government should act wrongly or prematurely at this time.

Sec. Weeks characterized his own remarks as optimistic because of the somewhat reassuring status of everything except autos and steel. He cited the employment situation in March and April, though April was "a little flat", and the increased expenditures in the offing for roads and housing. He saw no reason to be hysterical and he called for greater optimism.

The President inquired about the criticism of the very recent handling of employment figures. Sec. Weeks explained the difference in timing of Census and Labor Statistics figures, the clearance for early release of the Census figures, and Mr. Meany's argument several months ago that the Census figures should not be held up for consolidation with those from Labor. Mr. Stans confirmed the desirability among Government economists of the separate handling on this particular occasion. Sec. Mitchell cautioned that the Labor figures soon to be forthcoming will be less favorable because they are based more heavily on the industrial sector and are obtained from a different source. He hoped that the joint release practice would be resumed for the future, particularly since efforts are being made to shorten the time lag between the two reporting systems.

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Sec. Benson noted the continuing improvement in agriculture where farm income stands at the rate of $13 billion compared with $11.6 billion a year ago. He stated that parity was at 87% and would be at 100% were it not for the increase in prices paid by the farmers. He felt that the farmers were preoccupied still with their planting chores which had been delayed by the late wet spring and that they will be doing much buying later on when they have time. In summary, he saw the agricultural picture through 1958 as very encouraging.

Sec. McElroy reported briefly on accelerated Defense contracting which would appear as heavier expenditures later in the year. In the fourth quarter particularly, he believed, Defense spending would be a strong factor in the economy. He repeated several of Sec. Anderson's views in which he strongly concurred, and he stressed the need for bulwarking confidence among business men in the Administration's intent to maintain sound policies.

Sec. Mitchell ascertained from Sec. McElroy that the 1957 directive as to financing contracts was still in force, since Defense believed it desirable to insure that contractors in all cases have some of their own money involved in projects they undertake. Sec. Mitchell reported comments that expansion by some industries was held up because of the limitation on advance payments by Defense.

Mr. Summerfield believed the economy fundamentally sound, then discussed the automobile situation as a result of the 1955 overproduction, the current high inventories, and the difficulties being experienced by dealers in financing these inventories. He stressed the Administration's responsibilities as related to an industry having relatively few producers and a great many disorganized distributors, and particularly his expectation that Government stimulation leading to higher prices would not provide a long-range solution. He noted the slowness of the appearance of easier credit as far as borrowers are concerned, and he thought a fundamental need was to clean up some of the things which discriminate against retailers.

The President took note of a statement he had read recently to the effect that there is no strong evidence that moderate deficit spending causes inflation, rather that it is caused by labor-management developments. Dr. Saulnier thought that the first part would be hard to substantiate, but that a definite feeling did exist that current troubles have resulted from the so-called "cost push".

The President asserted that much more evidence would be needed before any taxdecision should be made. He stated his personal disbelief that great results would follow from tax reductions since that would not necessarily bring increased purchasing.

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The President asked Dr. Saulnier and Treasury to set up a small ad hoc committee which would, prior to May 20th, work out a statement (not necessarily for publication) as to what ought be the Administration posture and program as regards the economy. He felt that all Administration officials, if they talked on the situation, should set forth the Administration's broad views and attitude as well as an accounting of official actions. He thought that particular departments could be brought in to meet with the small committee from time to time as need be. The President repeated his opposition to unwise spending and his disinclination to see the Government engaged in vast programs that might only increase the difficulties.

Following a comment from Sec. Benson on business men's reactions, the President expressed weariness of business men who failed to recognize how consistently the Administration has followed the policies set forth in 1953.

Sec. Anderson stated that a bill to extend excise and corporate taxes would have to be pursued prior to June 30 and also that it would be necessary again to raise the debt limit.

Sec. Mitchell expressed a more pessimistic view than some of his colleagues because of the decline throughout the durable goods industries. He recognized the problem in the automobile industry but could not see a solution other than continued exhortation and education, since anything beyond that would mean the establishment of controls over wages and prices which he could not advocate at this time.

The discussion was concluded with very brief comments by a number of Cabinet members on the availability of money and problems besetting the banks which make for slowness in lowering interest rates. At the end of this, the President confirmed that Dr. Saulnier would set up the committee earlier requested.

Later in the meeting Gen. Persons referred to the importance of avoiding publicity on the work of this committee, which he referred to as involving a tax plan. The President made it clear that he had not specified a tax plan; rather, he wanted a full statement of our recovery plan, not necessarily involving tax changes.

Acceleration of Procurement - Mr. Stans called attention to the President's approval of the legislation authorizing agencies to advance their contracting up to 50% of their budgets as earlier suggested. He stated that the Bureau of the Budget was issuing a directive on this, and he thought agency heads would protect against lagging by lesser officials

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who might not be enthusiastic about changes in procedures. He also hoped that careful attention would be given to the possibility of helping surplus labor areas. He made clear for Sec. Weeks' benefit that this was merely a matter of acting earlier rather than later, and that the total for FY 1959 would remain the same. The President appreciated that this would cause some difficulties for the fiscal people in the Government but that they just had to face up to it.

Civil Defense Plan (CI 58-56) - Gov. Hoegh stated that he was making this presentation both because of the need for developing a plan and for the desirability of having it discussed prior to making a presentation at the Governors Conference. He then went through the Cabinet paper, making brief comments on most points and stressing particularly (1) the need for enacting Civil Defense legislation pending in the Congress to make possible matching grants to the States, (2) the responsibilities of local officials for deciding whether to evacuate an area or to take cover, (3) the development of a public statement regarding a shelter program, and (4) the importance of completing the detailed material for the plan concerning the activities relating to delegate agencies.

There was no significant comment on this presentation.

Cordage Imports - Mr. Gray announced that ODM was nearing completion of its review of the possible desirability of limiting imports of cordage under the Section 7 procedure. He commented that the studies thus far seemed not to warrant an ODM certification of defense essentiality.

Operation Alert 1958 (CI 58-44/2) - Mr. Gray reviewed the time schedule for the three phases of this year's Alert, designed to enable Government officials to determine the types and quantities of Federal assistance needed for survival, and providing sufficient time for effective study of and action on these problems. He stated that there would be relocation of Government agencies in the July phase and that the September critique would help to determine what revisions of plans are needed.

LAM
L. A. Minnich, Jr.

Copies to
- Mrs. Whitman (2) ✓
- Mr. Rabb
- Mr. Minnich

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RA - 58-104

May 2, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, May 2, 1958:

1. Review of the Economic Situation

ACTION:

a) The President requested the Chairman of the Council of Economic Advisers to organize a group of Cabinet Officers (to include the Secretaries of the Treasury, Commerce, and Labor as regular members, and the Secretaries of Defense and Agriculture, the Postmaster General and others as *ad hoc* members) to give further study to facts bearing on the economic situation and outlook and to develop comprehensive proposals for additional actions (official administrative actions, legislative proposals, and appropriate "personal" actions by Cabinet Officers) that will help promote sustainable economic recovery and to present recommendations (beginning with the Cabinet meeting of May 16) for review and Presidential decision.

b) The policy framework for the group's recommendations appeared in the President's stated emphasis against unwise governmental spending.

c) The activities of this group and the fact of its existence are *not* to be disclosed, until further notice, outside the Cabinet circle.

2. Implementation of the Program for Accelerated Procurement

ACTION:

a) Each Cabinet Member and major Agency Head is personally to take steps to stimulate this program, in order to ensure that the accelerated procurement now authorized is undertaken to the maximum extent.

b) The above officers are reminded that the placement of these accelerated orders is to be directed as much as possible to the areas of substantial labor surplus.

3. The National Civil Defense Plan CI - 58-56

ACTION:

The Cabinet noted without objection the interim and informational presentation by the Federal Civil Defense Administrator of the National Civil Defense Plan and the accompanying progress report on civil defense activities, including the Administrator's statements that:

a) He plans to report to the coming Governors' Conference at Miami that there is a National Civil Defense Plan being completed and plans to point out generally some of its salient features;

b) To be fully effective the Plan must await the passage by the Congress of HR 7576 and the approval of Reorganization Plan Number 1;

c) The Departments and Agencies concerned should take steps to ensure that the necessary Annexes to the Plan are completed promptly.

4. OPERATION ALERT, 1958 CI - 58-44/2

ACTION:

The Cabinet noted without objection the description by the Director of the Office of Defense Mobilization of the three-phased plan for this year's exercise and of the added ranges of problems which this phasing will enable to be studied and tested.

ADDITIONAL ITEMS:

A. Decision on Imports of Cordage

ACTION:

The Cabinet noted without objection the intent of the Director of the Office of Defense Mobilization with respect to his forthcoming decision concerning the imports of cordage -- a decision which he will announce next week.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

May 1, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, May 2, 1958

The following items are listed on the Cabinet agenda for tomorrow:

1. Review of the Economic Situation (Dr. Saulnier, Secretary Anderson)

Before going overseas, Dr. Hauge urged very strongly that we have a full-blown discussion of economic matters in the Cabinet in order to give all the Cabinet Members an opportunity to have their say on this subject. He feels that some of the Cabinet people would appreciate an opportunity to participate in an economic give-and-take in your presence.

Dr. Saulnier will lead off with a summary of the most current information he has on the economic picture and on some of the alternatives and suggestions which the Council of Economic Advisers has under study.

Secretary Anderson will briefly discuss the fiscal aspects of this subject and then suggest that other Cabinet Members give their views.

2. Implementation of the Program for Accelerated Procurement (Mr. Stans)

You have recently signed the bill which provides that up to 50% of next year's regular government purchases can be advanced to the present fiscal year, as an anti-recession measure. Mr.

Stans has expressed doubt whether the Members of the Cabinet are sufficiently aware of the opportunities which this new statute affords them for accelerated procurement. Since it is clear that unless the new authority is used to the full and used immediately, its effect will be very small, Mr. Stans wishes to take this opportunity to remind the Cabinet Members to use this new "tool" promptly.

PRESENTATION TIME: 5 minutes

3. Proposed National Civil Defense Plan (Governor Hoegh)

The Civil Defense Act requires that the Federal Government develop civil defense plans. For years, Mayors, Governors, and local Civil Defense officials have been waiting in vain for these plans to appear. The lack of them has provoked increasing criticism from both local groups and Congressional committees. Governor Hoegh has been working for months to produce an unclassified document which will clearly tell individuals, cities, States, and Federal agencies what their respective Civil Defense roles will be before and after an attack.

Now, Governor Hoegh must appear before the Conference of Governors in Miami on May 19th and cannot duck the inevitable queries about civil defense planning. He wishes to describe his national plan to you and the Cabinet and get your comments and advice for its further development, and also to determine the extent to which he can thwart the expected sharp criticism of opposition Governors by revealing the plan's existence to them.

PRESENTATION TIME: 25 minutes

4. OPERATION ALERT, 1958 (Mr. Gray, Governor Hoegh)

Under the schedule for this year's OPERATION ALERT, generally approved in the Cabinet meeting of January 17, 1958, the first phase is set for next week -- May 6 and 7. This will be a State and local Civil Defense exercise, to be followed by a Federal exercise in July and an evaluation phase in September. In view of the plans for next week, however, Governor Hoegh will briefly review what is intended in order that all may be aware of what is expected.

PRESENTATION TIME: 10 minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

HOEGH! CABINET 5/2/58 Item 3

MR. PRESIDENT, THERE ARE TWO REASONS WHY I AM PRESENTING THIS NATIONAL CIVIL DEFENSE PLAN HERE TODAY. FIRST, THERE IS A DEFINITE NEED FOR SPECIFICALLY STATING THE ROLE OF THE FEDERAL GOVERNMENT, THE STATES, THEIR POLITICAL SUBDIVISIONS AND THE PEOPLE, IN THIS FIELD OF NON-MILITARY DEFENSE; AND SECOND, ON MAY 19, I APPEAR BEFORE THE GOVERNORS CONFERENCE AT MIAMI. OUR POLITICAL CRITICS THERE WILL BE PREPARED TO CAPITALIZE ON THE LACK TO DATE OF A NATIONAL PLAN. TO OFFSET THIS, I WOULD HOPE THAT I COULD REPORT THAT THERE IS A NATIONAL CIVIL DEFENSE PLAN BEING COMPLETED AND THAT I COULD GENERALLY POINT OUT SOME OF ITS SALIENT FEATURES.

A GREAT DEAL OF WORK HAS GONE INTO THE PREPARATION OF THIS DOCUMENT. FOUR WEEKS AFTER ASSUMING THE POSITION OF ADMINISTRATOR OF CIVIL DEFENSE, LAST JULY, I INITIATED THE DEVELOPMENT OF THE PLAN.

WE HAVE WORKED CLOSELY WITH GOVERNORS, MAYORS, STATE AND LOCAL DIRECTORS, OUR ADVISORY COMMITTEES AND WITH ALL AGENCIES OF THE FEDERAL GOVERNMENT. AS A MATTER OF FACT, THE PAST THREE MONTHS HAVE BEEN DEVOTED TO COORDINATING IT WITHIN THE FEDERAL GOVERNMENT. THE CIVIL DEFENSE COORDINATING BOARD, WHICH YOU ESTABLISHED, MR. PRESIDENT, HAS DEVOTED MUCH TIME TO DEVELOPMENT OF THIS PLAN.

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OUR PLANNING BASIS, WHICH IS COMPARABLE TO AN INTELLIGENCE ANNEX, STATES THAT FORCES DEDICATED TO ATTACKING THIS NATION EXIST, AND HAVE MODERN WEAPONS AND EFFICIENT MEANS FOR THEIR DELIVERY.

AS FOR RESPONSIBILITY -- "CIVIL DEFENSE IS THE RESPONSIBILITY OF EACH CITIZEN AND OF ALL GOVERNMENTS -- FEDERAL, STATE, AND LOCAL -- WITH THE FEDERAL GOVERNMENT HAVING THE PRIMARY ROLE OF DIRECTION AND COORDINATION OF THE TOTAL NATIONAL EFFORT."

THE PRESIDENT IS COMMANDER-IN-CHIEF WITH THE FEDERAL CIVIL DEFENSE ADMINISTRATOR AS PRINCIPAL STAFF OFFICER. GOVERNORS AND MAYORS ARE COMMANDERS OF THEIR RESPECTIVE JURISDICTIONS, WITH CIVIL DEFENSE DIRECTORS AS PRINCIPAL STAFF OFFICERS. PREPARATION AND EXECUTION OF PLANS WILL BE MADE BY EXISTING SERVICES AND AGENCIES OF GOVERNMENT. WITH CD DIRECTORS COORDINATING THE SAME. STATE AND LOCAL PLANS WILL BE SUBJECT TO APPROVAL BY FCDA.

FOR THE PLAN TO BE EFFECTIVE, H. R. 7576 MUST BE FIRST ENACTED. IT HAS BEEN UNANIMOUSLY PASSED BY THE HOUSE AND IS NOW IN THE ARMED SERVICES COMMITTEE OF THE SENATE. IT ESTABLISHES JOINT RESPONSIBILITY FOR CIVIL DEFENSE IN THE FEDERAL, STATE AND LOCAL GOVERNMENTS, AND PROVIDES FOR

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FEDERAL MATCHING OF FUNDS FOR PERSONNEL AND ADMINISTRATIVE EXPENSES OF CIVIL DEFENSE IN STATE AND LOCAL GOVERNMENTS.

UNDER THE PLAN,

"A CIVIL DEFENSE CHANNEL OF COORDINATION WILL BE ESTABLISHED, DOWN WHICH WILL BE TRANSMITTED INSTRUCTIONS AND UP WHICH REQUESTS FOR ASSISTANCE WILL BE MADE."

AND THE COMMAND CHANNEL IS ESTABLISHED.

OUR MISSION:

"TO PROTECT LIFE AND PROPERTY FROM THE EFFECTS OF ATTACK BY PREPARING FOR AND BY CARRYING OUT EMERGENCY FUNCTIONS TO PREVENT, MINIMIZE AND REPAIR INJURY AND DAMAGE."

WE SET FOR TH FUNCTIONS AND, STEP BY STEP, HOW THE MISSION IS TO BE ACCOMPLISHED. THESE ARE LISTED UNDER WARNING, COMMUNICATIONS AND CONTROL, ACTION PRIOR TO ATTACK, AND AFTER ATTACK.

NORAD HAS THE RESPONSIBILITY OF DETECTING AN ENEMY AIR OR MISSILE ATTACK. OUR WARNING OFFICERS ARE ON DUTY AROUND THE CLOCK AT THE COMMAND, AND AT EASTERN AND WESTERN HEADQUARTERS, AND HAVE SIMULTANEOUS ACCESS TO WARNING INFORMATION. FCDA WILL PROVIDE WARNING OVER ITS NATIONAL SYSTEM TO STRATEGIC POINTS.

1.
WARNING CHART

TODAY, WE CAN TRANSMIT TO 200 KEY POINTS, WITHIN 90 SECONDS, BY JULY 1959, THERE WILL BE 276 POINTS AND 88 RADIO STATIONS AND 12 RADIO NETWORKS.

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STATES WILL DISSEMINATE WARNINGS TO LOCAL GOVERNMENTS AND THEY, IN TURN, TO THE GENERAL PUBLIC. WE ASSIST IN THE DEVELOPMENT OF THEIR WARNING SYSTEMS THROUGH CONTRIBUTIONS, AND BY GUIDANCE AND DIRECTION.

WE BELIEVE A SYSTEM BY WHICH PEOPLE WILL RECEIVE WARNING SIMULTANEOUSLY CAN BE DEVELOPED.

TWO UNIFORM WARNING SIGNALS THROUGHOUT THE NATION ARE ESTABLISHED. THE ALERT SIGNAL, A STEADY 3 TO 5 MINUTE BLAST WHICH MEANS "TAKE ACTION AS DIRECTED BY LOCAL GOVERNMENT"-- AND THE TAKE COVER SIGNAL, A WAILING 3 MINUTE BLAST, OR SERIES OF SHORT BLASTS, WHICH MEANS "TAKE COVER IMMEDIATELY IN THE BEST AVAILABLE SHELTER."

ACTION REQUIRED FOR WARNING AS TO FALLOUT IS ALSO DESCRIBED. THE WEATHER BUREAU PROVIDES FCDA, THE STATES AND LOCAL GOVERNMENTS WITH FALLOUT FORECASTS BASED ON OBSERVATIONS OF WIND DIRECTION AND VELOCITY, AND PLOTS ARE REQUIRED TO BE CONSTRUCTED EACH DAY BY STATE AND TARGET AREA GOVERNMENTS.

COMMUNICATIONS ARE MAINTAINED AT ALL TIMES BY FCDA TO ITS REGIONS AND THE STATES. TODAY, THE SYSTEM IS PRIMARILY TELETYPE AND TELEPHONE. RADIO BACK-UP FROM NATIONAL HEADQUARTERS TO THE REGIONS WILL BE INSTALLED IN 1959, AND TO THE STATES BY 1962, THE LATTER DEPENDING ON APPROPRIATIONS.

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STATE AND LOCAL GOVERNMENTS WILL MAINTAIN COMMUNICATIONS FOR THEIR EMERGENCY OPERATIONS.

THE PLAN SETS OUT THE SYSTEM OF COMMUNICATIONS WITH THE PUBLIC THROUGH PRE-CONELRAD, CONELRAD AND POST-CONELRAD BROADCASTS. NORAD IS RESPONSIBLE FOR ORDERING RADIO ALERT WHICH PUTS CONELRAD INTO EFFECT, AND SILENCES REGULAR RADIO BROADCASTING. WHEN IT IS IN EFFECT, MORE THAN 1200 RADIO STATIONS WILL OPERATE AT REDUCED POWER ON TWO WAVE LENGTHS -- 640 AND 1240 -- FOR THE BROADCAST OF SURVIVAL INFORMATION. IT IS EXPECTED THAT BY 1959 THIS CAPABILITY WILL BE ALTERED TO MAKE POSSIBLE BROADCASTING BY SEVENTH OR MORE CLEAR CHANNEL STATIONS, OPERATING AT FULL POWER AND ON NORMAL FREQUENCIES, TO GIVE SURVIVAL INFORMATION NATIONWIDE AFTER AN ATTACK.

> "CONTROL CENTERS AND EMERGENCY GOVERNMENT LOCATIONS WILL BE ESTABLISHED PRE-ATTACK BY NATIONAL HEADQUARTERS OF FEDERAL AGENCIES, BY FCDA REGIONS, BY OTHER FEDERAL FIELD ESTABLISHMENTS AS APPROPRIATE, AND BY EACH STATE, POSSESSION AND TERRITORY, AND BY EACH TARGET AREA CITY, WITH COMMUNICATIONS MAINTAINED AT ALL TIMES."

THE FEDERAL GOVERNMENT THROUGH ODM HAS AN ESTABLISHED HARDENED CONTROL CENTER. IN 1959, FCDA WILL PROCEED WITH PLAN TO CONSTRUCT REGIONAL UNDERGROUND CENTERS. MATCHING FUNDS

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2\.
PORTLAND CHART

3\.
MIAMI CHART

4\.
DETROIT CHART

ARE AVAILABLE TO STATE AND CITIES FOR THIS PURPOSE. THERE ARE 70 STATE, OR ALTERNATE, CONTROL CENTERS AND CLOSE TO 1800 BELOW THAT LEVEL. THEY RANGE FROM MEETING THE MOST RIGID SPECIFICATIONS--SUCH AS THOSE IN DETROIT, PORTLAND, OAKLAND, AND MIAMI--TO SELECTION OF ALTERNATE SITES BY USING FACILITIES OF NEARBY COMMUNITIES. THE PORTLAND CENTER -- AS SHOWN BY THIS CHART--IS LOCATED IN A HILLSIDE. IT CAN HOUSE 300 PEOPLE AND HAS ITS OWN ELECTRIC AND SANITATION SYSTEMS AS WELL AS FOOD AND WATER SUPPLY. IN SUBURBAN MIAMI, AS SHOWN HERE, THERE IS A MODERN ONE, WHICH HAS A TWO-FOOT THICK ROOF AND WALLS, AND CONTAINS NEARLY 7,000,000 POUNDS OF REINFORCED CONCRETE AND OVER 90 TONS OF STEEL. THIS CHART SHOWS THE INTERIOR AT DETROIT.

THE PLAN DETAILS COURSES OF ACTION TO BE TAKEN PRIOR TO ATTACK FOR PREVENTION OF DAMAGE DURING PRE-EMERGENCY, LIMITED EMERGENCY AND EMERGENCY PERIODS. IT INCLUDES PREPARATION FOR INSURING CONTINUITY OF GOVERNME AND PREPARATIONS FOR EMERGENCY DISASTER SERVICES, PROTECTION FROM WEAPONS EFFECTS, ASSESSMENT OF DAMAGE AND SURVIVAL SERVICES.

5\.
OBJECTIVES CHART

SURVIVAL OF THE NATION WILL DEPEND UPON THE ABILITY OF GOVERNMENT AT ALL LEVELS TO OPERATE IN AN EMERGENCY. THEREFORE, ALL GOVERNMENTS ARE URGED TO: ESTABLISH LINES OF SUCCESSION FOR KEY PERSONNEL; PRESERVE ESSENTIAL

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RECORDS; ESTABLISH CONTROL CENTERS; AND MAKE FULL USE OF ALL GOVERNMENT PERSONNEL AND RESOURCES BY INTEGRATING CIVIL DEFENSE FUNCTIONS INTO THEIR REGULAR SERVICES AND AGENCIES, THE SAME TO BE AUGMENTED THROUGH THE USE OF PROPERLY-TRAINED VOLUNTEERS.

THE PEOPLE OF THE NATION CANNOT BE EXPECTED TO RALLY FULLY BEHIND CIVIL DEFENSE WITHOUT FIRST HAVING GOVERNMENT AT ALL LEVELS LEAD THE WAY. THE 7.5 MILLION AMERICANS NOW IN FEDERAL, STATE AND LOCAL GOVERNMENT MUST ALL HAVE EMERGENCY ASSIGNMENTS AND BE TRAINED AND PREPARED TO PERFORM THEM.

SINCE NOVEMBER 1957, WE HAVE BRIEFED THE GOVERNORS, KEY STATE OFFICIALS AND LEGISLATIVE AND CITY LEADERS IN 34 STATES. THESE CONFERENCES WERE CALLED BY, AND PARTICIPATED IN, BY THE GOVERNORS. WE EXPECT TO COMPLETE THIS TASK WITH THE OTHER FOURTEEN VERY SOON.

IN CONJUNCTION WITH THE GOVERNORS' CONFERENCE, WE HAVE PREPARED MODEL LEGISLATION TO ENABLE STATES AND LOCAL COMMUNITIES TO INSURE CONTINUITY OF GOVERNMENT.

6.
SURVIVAL PLAN CHART

WE ARE FINANCING SURVIVAL STUDIES IN 44 STATES, 3 TERRITORIES, AND 173 METROPOLITAN AREAS, TO PROVIDE INFORMATION ON FACILITIES, RESOURCES AND MANPOWER. THEY WILL BE COMPLETED IN 1958, FOLLOWING WHICH, DETAILED

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OPERATIONAL PLANS WILL BE ISSUED, CONTAINING SPECIFIC SURVIVAL INSTRUCTIONS TO COVER NINETY-FIVE PERCENT OF THE CIVILIAN POPULATION.

THE PLAN SETS FORTH THE NATIONAL POLICY ON EVACUATION AND SHELTER TO BE:

IF SUFFICIENT WARNING TIME IS AVAILABLE -- EVACUATE AND, IF NOT -- TAKE COVER. PLANS FOR EVACUATION ARE BEING DEVELOPED AND WOULD BE CARRIED OUT ONLY IF SUFFICIENT WARNING TIME IS PROVIDED. IT IS MOST LIKELY THAT TAKE COVER WILL BE THE COURSE OF ACTION EXECUTED. WHICH ACTION IS TO BE TAKEN IS A LOCAL DECISION. IN THAT IT IS NECESSARY TO PL PLAN FOR ALL CONTINGENCIES, THE NATION MUST BE PREPARED TO EXECUTE BOTH COURSES OF ACTION. (AN ANNEX, OUTLINING THE NATIONAL POLICY ON SHELTER WILL BE ATTACHED, AFTER IT IS RELEASED.)

COURSES OF ACTION TO BE TAKEN AFTER AN ATTACK ARE OUTLINED: MAINTENANCE OF LAW AND ORDER; DISASTER SERVICES (INCLUDING EMERGENCY WELFARE; MEDICAL CARE; DECONTAMINATION; RESCUE, CLEARANCE OF DEBRIS AND FIRE PROTECTION); RADIOLOGICAL, GAS AND GERM WARFARE DEFENSE; CLANDESTINE AND UNEXPLODED ORDNANCE; USE OF RESOURCES (INCLUDING FOOD AND WATER; TRANSPORTATION; AND FUEL AND POWER); AND EMERGENCY RESTORATION OF PUBLIC FACILITIES AND UTILITIES.

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AT YOUR DIRECTION, MR. PRESIDENT, MANY OF THESE FUNCTIONS HAVE BEEN DELEGATED TO OTHER FEDERAL DEPARTMENTS AND AGENCIES. THE PLANS OF EACH, WHEN COMPLETED, WILL BECOME ANNEXES TO THE NATIONAL CIVIL DEFENSE PLAN. WE HOPE THIS CAN BE ACCOMPLISHED BY JANUARY 1959. FOR EXAMPLE, THE DEPARTMENT OF AGRICULTURE IS RESPONSIBLE FOR A NATIONAL FOOD PLAN. POWER AND FUEL SUPPLY FUNCTIONS HAVE BEEN ASSIGNED TO XXX INTERIOR, SUPPORTED BY THE FEDERAL POWER COMMISSION: EMERGENCY HOUSING -- TO HHFA; MANPOWER -- TO LABOR; CHEMICAL AND BIOLOGICAL WARFARE, and HEALTH, MEDICAL AND WELFARE CARE -- TO HEW; AND, OF COURSE, THE ROLE OF THE MILITARY IN CIVIL DEFENSE -- TO THE DEPARTMENT OF DEFENSE.

THE PLAN PROVIDES THAT INDIVIDUALS AND FAMILIES PREPARE TO EXIST ON PERSONAL STOCKS OF SURVIVAL ITEMS FOR TWO WEEKS FOLLOWING AN ATTACK; THAT CITIES, COUNTIES AND STATES PREPARE TO EXIST ON CONSUMER ITEMS AND ESSENTIAL EQUIPMENT AVAILABLE WITHIN THEIR JURISDICTIONS FOR A MINIMUM OF FOUR WEEKS; AND THAT THE FEDERAL GOVERNMENT PREPARE TO ASSIST STATES AND POLITICAL SUBDIVISIONS AS SOON AS POSSIBLE AFTER MEETING MILITARY AND OTHER ESSENTIAL REQUIREMENTS.

7.
STOCKPILE
CHART

TO THE RESOURCES ALREADY EXISTING IN GOVERNMENT, WE HAVE ADDED MEDICAL AND ENGINEERING ITEMS THAT WOULD BE IN CRITICAL SHORT SUPPLY. THESE ARE STORED IN 43 LOCATIONS

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AND ARE VALUED AT OVER $213 MILLION. OUR STOCKPILES ARE OF THREE TYPES: SMALL CAPACITY -- PLACED ON A CALCULATED RISK BASIS IN OR NEAR PRINCIPAL CITIES; LARGER ONES -- LOCATED FARTHER OUT FROM PROBABLE TARGET AREAS; AND DEPOT TYPE WAREHOUSES -- LOCATED AT STILL GREATER DISTANCES FROM PROBABLE TARGETS. EACH LOCATION HAS ASSIGNED PERSONNEL AND OUT-LOADING PLANS.

WE ARE RE-EVALUATING OUR EMERGENCY STOCKPILE NEEDS, AND HOPE, AFTER COORDINATING WITH APPROPRIATE FEDERAL AGENCIES, THE AMERICAN MEDICAL ASSOCIATION, THE RED CROSS, ETC., TO PRESENT A SOUND 10-YEAR PROGRAM.

TO DATE, THROUGH OUR CONTRIBUTIONS PROGRAM $69 MILLION HAS BEEN CONTRIBUTED TO STATES AND CITIES FOR CIVIL DEFENSE EQUIPMENT. DURING THE PAST YEAR, SURPLUS PROPERTY WORTH $19 MILLION HAS BEEN DISTRIBUTED TO THEM.

THERE IS AN ANNEX ON RADIOLOGICAL DEFENSE. TO DATE, 64,000 MONITORS HAVE BEEN TRAINED AND 2400 INSTRUCTORS HAVE BEEN DEVELOPED. WE HAVE BOUGHT OVER 800,000 RADIOLOGICAL INSTRUMENTS AND OF THE 500,000 delivered, 90 PERCENT IS BEING DISTRIBUTED TO STATE AND LOCAL GOVERNMENTAL AGENCIES AND SCHOOLS, THE REMAINING 10 PERCENT BEING HELD IN RESERVE. BY SEPTEMBER 1958, RADIOLOGICAL KITS WILL BE DELIVERED TO 6000 HIGH SCHOOLS

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AND THIS WILL BE INCREASED TO 15,000 BY JANUARY 1959. THROUGH THE COOPERATION OF HEW, AND THE STATE EDUCATIONAL DEPARTMENTS, SCIENCE TEACHERS WILL CONDUCT INSTRUCTION ON THE EFFECTS OF RADIOACTIVE FALLOUT, AND MEASUREMENT AND MONITORING. OVER ONE MILLION STUDENTS WILL RECEIVE SUCH INSTRUCTION BY JUNE 1959.

CITIES AND STATES, WITHIN THEIR POLICE, FIRE AND HEALTH DEPARTMENTS WILL CONDUCT RADIOLOGICAL DEFENSE SCHOOLS. MANY ARE ALREADY DOING THIS, AND MORE THAN 100,000 CITY AND STATE EMPLOYEES WILL BE INSTRUCTED BY JUNE 1959.

8.
MONITOR CHART

THE FEDERAL NETWORK OF FIXED MONITOR STATIONS WILL USE THE FACILITIES OF ALL FEDERAL AGENCIES. INSTRUMENTS ARE BEING DISTRIBUTED TO 221 WEATHER BUREAU STATIONS AND TO 600 CAA STATIONS. ALSO INCLUDED, ARE 79 AIR WEATHER SERVICE MONITORING POINTS, UNDER THE DEPARTMENT OF DEFENSE. BY THE END OF 1958, THE FEDERAL NETWORK WILL HAVE AVAILABLE ABOUT 900 MONITORING POINTS OVER THE NATION OPERATING ON A "ROUND-THE-CLOCK" BASIS.

OTHER AGENCIES THAT WILL BE BROUGHT INTO THE NETWORK INCLUDE THE DEPARTMENTS OF INTERIOR, AGRICULTURE, HEALTH, EDUCATION AND WLEFARE, THE POST OFFICE, AND OTHERS. THE FEDERAL NETWORK, COMBINED WITH STATE AND LOCAL

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MONITORING INFORMATION, WILL GIVE A DETAILED FALLOUT-HAZARD PICTURE FOR THE WHOLE NATION. INFORMATION ON MONITORING, RADIATION LEVELS, AND ANALYSIS WILL FLOW BOTH WAYS -- FROM AND TO -- EVERY LEVEL OF GOVERNMENT.

THE FEDERAL GOVERNMENT WILL SUPPORT A RESEARCH AND DEVELOPMENT PROGRAM TO DETERMINE OPTIMUM METHODS, MATERIALS AND FACILITIES, INCLUDING RESEARCH ON WEAPONS EFFECTS, SOCIOLOGICAL AND PSYCHOLOGICAL EFFECTS, PASSIVE DEFENSE TECHNIQUES, SYSTEMS FOR IDENTIFYING, COMPUTING AND TRANSMITTING OPERATIONAL DATA SUCH AS DAMAGE ANALYSIS, ETC. A GOOD EXAMPLE OF THE RESULTS WE CAN EXPECT FROM THIS EFFORT ARE THE FALLOUT AND BLAST SHELTERS WE HAVE DESIGNED AND TESTED AT THE NEVADA TEST SITE.

FCDA WILL STIMULATE AND CONDUCT, WHEN NECESSARY, CIVIL DEFENSE PROGRAMS FOR TRAINING AND EDUCATION. CONTRIBUTIONS TO THE STATES AND THEIR POLITICAL SUBDIVISIONS FOR CIVIL DEFENSE TRAINING AND EDUCATION ACTIVITIES ARE AVAILABLE.

THE OBJECTIVE: TO ASSIST GOVERNMENTS AT ALL LEVELS TO OBTAIN OPERATIONAL READINESS IN EMERGENCY AND TO PROVIDE EVERY PERSON WITH INFORMATION AND INSTRUCTIONS

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ESSENTIAL FOR SURVIVAL. PEOPLE MUST KNOW THE THREAT, AND HOW TO MEET IT. AS A PART OF THIS PROGRAM, THE BOY SCOUTS WILL DELIVER TO EVERY AMERICAN HOME THIS YEAR AN EMERGENCY HANDBOOK WHICH WILL GUIDE THEM IN PREPARING TO MEET ALL KINDS OF DISASTERS.

OUR TRAINING AND EDUCATION CAPABILITY HAS BEEN IMPROVING STEADILY. WE MAINTAIN A STAFF COLLEGE AT BATTLE CREEK AND WILL SOON HAVE A FEDERAL TRAINING CENTER ON THE EAST COAST AND ONE ON THE WEST COAST. WE HAVE TRAVELING ~~STAFF COLLEGE~~ TEAMS, AND INSTRUCTOR-TRAINING SCHOOLS. WE FURNISH INFORMATION AND GUIDANCE BY PRINTED MATERIALS, BRIEFINGS, MOTION PICTURES, MASS MEDIA, TECHNICAL MATERIALS AND PACKAGED TRAINING COURSES. TESTS AND EXERCISES AT THE LOCAL, STATE AND NATIONAL BASIS ARE ALSO DIRECTED BY THE PLAN.

THERE ARE 17 STATE AND LOCAL TRAINING CENTERS TODAY AND MORE ARE TO BE ESTABLISHED. THERE ARE ALSO 40 STATE AND LOCAL FACILITIES SPECIALIZE~~S~~ing IN RESCUE TRAINING.

IN CONCLUSION, MR. PRESIDENT, I HAVE GIVEN YOU THE HIGHLIGHTS OF THE PLAN TO LET YOU KNOW WHAT OUR CONCEPT IS AND THE DIRECTION IN WHICH WE ARE GOING. WE WANT TO SEE THE WORK PROCEED WITH ALL POSSIBLE SPEED. A MOST

ARCHIVAL BOND 25% COTTON

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IMPORTANT THING IS THE FURTHER DEVELOPMENT OF THE ANNEXES. IN THESE WE WILL DEAL IN SPECIFICS. MANY OF THE AGENCIES REPRESENTED HERE HAVE THE RESPONSIBILITY FOR SPELLING OUT, IN DETAIL, HOW THE RESOURCES OF THE NATION WILL BE USED FOR SURVIVAL AND REHABILITATION. THE FEDERAL GOVERNMENT MUST LEAD THE WAY.

THIS PLAN DEFINITELY SETS FORTH THE NATIONAL COURSES OF ACTION AND FIXES THE RESPONSIBILITY FOR PERFORMANCE. IT IS NOT FOOL-PROOF BUT IT IS ONE THAT SHOULD BE PUT INTO EFFECT, THOROUGHLY TESTED, AND CONTINUOUSLY IMPROVED AND STRENGTHENED. AS I PREVIOUSLY MENTIONED, FOR IT TO BE TRULY EFFECTIVE, H.R. 7576 SHOULD BE ENACTED, AND THE CONSOLIDATION OF FCDA-ODM, AS PROPOSED BY YOUR REORGANIZATION PLAN NO. 1, SHOULD BE IN EFFECT. AND, I REPEAT, THE ANNEXES MUST BE COMPLETED BY THE DEPARTMENTS AND AGENCIES CONCERNED, AND ATTACHED TO THE PLAN.

IT IS MY CONVICTION THAT WE CAN HAVE AN EFFECTIVE CIVIL DEFENSE IN THIS NATION--AND THEREBY HAVE AN ADDITIONAL DETERRENT TO WAR.

WE CAN'T BUY IT--WE MUST LIVE IT. THAT MAKES IT A MOST DIFFICULT TASK. AMERICANS LIKE TO BUY THINGS--AND THEY WILLINGLY PAY TAXES TO BUY THEIR MILITARY DEFENSE.

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THEY WOULD LIKEWISE BE WILLING TO BUY CIVIL DEFENSE. HOWEVER, BECAUSE THE HAZARDS OF NUCLEAR WAR WOULD REACH EVERY HOME, THEY JUST CAN'T EMPLOY ENOUGH PEOPLE TO PROTECT THEM. EVERY CITIZEN MUST EVENTUALLY KNOW HOW TO MEET THE THREAT--CIVIL DEFENSE IS PEOPLE.

BUT PEOPLE MUST BE LED. THEREFORE, GOVERNMENT AT ALL LEVELS MUST PLAN NOW AND BE CAPABLE OF OPERATING IN EMERGENCIES. IN THIS PLAN, WE HAVE SET OUT WHAT IS EXPECTED OF EACH. IT WILL PROVIDE THE OVER-ALL DIRECTION, AND H.R. 7576 WILL SUPP~~IMP~~LEMENT IT. WHEN GOVERNMENTS ARE PREPARED AND CAPABLE OF LEADING, THE PEOPLE WILL RALLY TO SUPPORT -- AND PARTICIPATE IN -- CIVIL DEFENSE.

BRAD SUGGESTED THIS ADDITION

MR. PRESIDENT, I AM PRESENTING THIS PLAN TO YOU AND THE MEMBERS OF THE CABINET FOR YOUR COMMENT~~,~~ AND TO SEEK YOU GUIDANCE.

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CI - 58-56

April 28, 1958

The White House

Washington

THE CABINET

Proposed National Civil Defense Plan

For information of the Cabinet, attached is a paper prepared by the Federal Civil Defense Administrator.

The Federal Civil Defense Act authorizes the Administrator to "...prepare national plans and programs for the civil defense of the United States,..." Under this authority documents pertaining to a wide variety of civil defense matters have been promulgated, but the basic principles underlying them have not as yet been stated in a single plan.

Governors and Mayors, State and local directors of civil defense, Federal agency officials and representatives of many interested public and private groups have joined with the Federal Civil Defense Administration in the conclusion that the need for such a document is both immediate and continuing.

This proposed National Civil Defense Plan intends to present in a single document the basic civil defense principles, responsibilities and courses of action for protecting lives and property and for the Nation's recovery, in the event of attack.

The proposed plan is the product of review and consideration by all governmental levels and by persons and groups officially advisory to the Administrator. Some of these are: Executive Committees of the National Association of State Civil Defense Directors and the United States Civil Defense Council; Civil Defense Advisory Council; Medical Advisory Committee and the Labor Advisory Committee.

Within the Federal Government, this proposed Plan has been and will continue to be the subject of intensive interdepartmental review through the Civil Defense Coordinating Board.

In view of the fact that new reorganization proposals, last year's legislative amendments and implementation of certain recent NSC action are still pending, the attached proposed Plan and its Annexes are being presented to the Cabinet at this time for information and comment.

When the matters now pending become finally settled, the Plan and its Annexes will be changed fully to reflect the new situation, whereupon they will be presented again for formal Cabinet concurrence and Presidential approval prior to nationwide dissemination.

In its present form, and in the light of comments received at the coming Cabinet meeting, it is proposed that the draft Plan be used without distribution, as the basis for interim oral discussion at forthcoming meetings of Governors and others concerned.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Information

PROMULGATION

The National Civil Defense Plan has been prepared in accordance with and to carry out the provisions of the Federal Civil Defense Act of 1950, as amended, other applicable laws and Executive Orders.

Pursuant to Executive Order 10346, it is the responsibility of each Federal department and agency to prepare operational plans through all organizational levels appropriate to its wartime functions. This includes staffing, programming and budgetary actions, in accordance with the President's budget policy, as an integral part of its regular programs.

It is the inherent responsibility of the several states and their political subdivisions to provide for the protection from all dangers of the persons and property located within their respective jurisdictions to the extent of their capability. This includes providing for personnel, materiel, equipment and facility needs, preparing state civil defense plans and coordinating State programs with programs of the Federal Government and of other states.

Such activities will be initiated and maintained to assure a continuous and satisfactory state of readiness at all times.

Periodic testing of plans will be conducted and reports upon readiness condition will be submitted as requested.

Recommendations for changes in this document will be submitted to the Administrator, Federal Civil Defense Administration.

Leo A. Hoegh
Federal Civil Defense Administrator

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For Information

NATIONAL CIVIL DEFENSE PLAN

I. PURPOSE

This Plan establishes national nonmilitary courses of action and the role of the Federal Government, the States, their political subdivisions, and the people(1) to enable the nation to survive an attack in the event of war. (For courses of action to meet conditions arising from major natural disasters, see the "Natural Disaster Manual," FCDA, designated as Annex 18.)

II. PLANNING BASIS

In view of the known capabilities of the Communist countries it is likely that if attacks on the United States were made, they would be of sufficient scale and employ weapons and delivery vehicles of such advanced technology as to require civil defense measures of the highest order to assure the survival of the United States as a nation. (See "Planning Basis," Annex 1.)

III. ORGANIZATION

A. RESPONSIBILITY FOR CIVIL DEFENSE

Civil defense is the responsibility of each citizen and of all governments -- Federal, State and local -- with the Federal Government having the primary role of direction and coordination of the total national effort.

1. The Federal Civil Defense Administrator, acting for the President and on a continuing basis, shall manage and direct the civil defense program of the United States, including the inspection and audit of civil defense activities of other Federal agencies. State and local civil defense plans will be subject to the approval of the Federal Civil Defense Administrator.

2. The head of each Federal department and agency shall carry out such civil defense activities as may from time to time be assigned. (See Annex 20, "Federal Delegations and Assignments.") Agencies not having primary civil defense responsibilities but having resources or competence generally related to these programs shall assist the principal assignee. All assignments requiring emergency activities to be performed by the assignee carry with them the responsibility for such preattack preparations, planning and guidance as may be required. State and local governments and the general public shall be informed of such preparations and of the part each is expected to perform.

---

(1) See "Individual Action," Annex 14.

3. The head of each Federal department and agency shall prepare plans and execute programs to protect Federal personnel and facilities under his jurisdiction and to insure the continuity of administration and the safekeeping of essential records. To the extent necessary and permitted by security considerations, such plans and programs shall be coordinated with the States in which federal emergency activities are located or are expected to be pursued, and submitted to the Administrator, FCDA, for his approval. Military plans dealing with these matters will be coordinated with appropriate states and the Administrator, Federal Civil Defense Administration.

B. CHANNEL OF COCRDINATION

A civil defense channel of coordination will be established, down which will be transmitted instructions and up which requests for assistance will be made.

C. COMMAND CHANNEL OF THE FEDERAL CIVIL DEFENSE ADMINISTRATION

1. The Administrator commands the Federal Civil Defense Administration. (See "Command Channel of the Federal Civil Defense Administration," Annex 19.)

2. The field organization is composed of Regional offices, each headed by a Regional Administrator. The Regional Administrator will act for the Administrator in his region, within policies set forth by the Administrator, and is responsible for

    a. The coordination of the preparation of civil defense plans by the field elements of Federal departments and agencies

    b. The coordination of field elements of the Federal departments and agencies in the execution of the civil defense plan

    c. The coordination of the civil defense preparations of the several States of the region

    d. The coordination of the civil defense activities of the several States during a civil defense emergency.

3. During a civil defense emergency the Regional Administrators are delegated the authorities of the Administrator conferred by Title III of the Federal Civil Defense Act of 1950, as amended.

IV. MISSION

TO PROTECT LIFE AND PROPERTY FROM THE EFFECTS OF ATTACK BY PREPARING FOR AND BY CARRYING OUT EMERGENCY FUNCTIONS TO PREVENT, MINIMIZE AND REPAIR INJURY AND DAMAGE. (For mission relating to natural disasters, see "Natural Disaster Manual," FCDA, designated as Annex 18.) Our total defense -- military and civil -- must be so maintained that any aggressor would lose more than he would gain by attacking the United States. To accomplish the mission

A. The Plan includes activities

1. To increase the deterrent effects of civil defense by so organizing civilian populations and governments that minimum damage and casualties would result from enemy attack

2. To deal with the immediate emergency conditions

3. To repair or patch up vital utilities, facilities and systems.

B. The Plan does not include activities

1. To accomplish active military defense and retaliation

2. To investigate espionage, subversion and sabotage, which is the principal responsibility of the Federal Bureau of Investigation

3. To mobilize production.

V. FUNCTIONS

A. CIVIL DEFENSE WARNING

1. AS TO ATTACK

a. National Warning System

FCDA, from North American Air Defense Command and Regional NORAD Headquarters, on a 24-hour-a-day basis, will give warning of developing enemy attack to all points on the National Warning System. (See "Future Developments," Annex 13, Par. A.) Length of warning time to specified reference points will be provided in order that the amount of warning for individual target areas can be calculated.

b. State and Local Warning Systems

The States will disseminate attack warnings and supplementary information from the warning points to local governments throughout the State. Cities and other political subdivisions will disseminate warning to the general public.

c. Outdoor Warning Signals

Outdoor warning signals will be uniform throughout the Nation. There are two distinct public action signals. The "alert" signal is a steady 3 to 5 minute blast. It is sounded when attack is probable and means "take action as directed by local governments." The "take cover" signal is a warbling 3 minute blast or a series of short blasts. It is sounded when attack is imminent and means "take cover immediately in the best available shelter."

2. AS TO FALLOUT

a. Fallout Forecasts

The Weather Bureau of the Department of Commerce provides to FCDA, States and local areas on request, fallout forecasts based on observations of wind velocity at various altitudes. Fallout plots will be constructed each day by State and target area governments on the basis of forecasts provided by Weather Bureau offices.

b. Use of Forecasts

(1) The FCDA Regional and National Headquarters will utilize fallout forecasts in order to estimate and disseminate data on possible areas of radioactive contamination. Such data will be incorporated in the national damage assessment system to assist in the initial appraisal of the radiation hazard.

(2) Fallout forecasts available to State and local authorities will be considered in determining operational actions. (See "Future Developments," Annex 13, Par. F.)

c. Monitoring

(1) Data from local radiological monitoring, whether accomplished by Federal (including the military), State, local or private agencies, will govern local decisions as to appropriate public action. Measurements at each echelon will be consolidated and forwarded to higher headquarters to permit a progressively broader assessment of the radiation hazard.

(2) Supplementing local monitoring capabilities will be a national network of fixed monitoring, comprised of facilities of the Civil Aeronautics Administration, the Public Health Service, the Atomic Energy Commission, the Weather Bureau, the Forest Service and other Federal agencies.

d. Means of Dissemination of Fallout Information

(1) Fallout information available to the Federal Government will be disseminated to the States through the National Warning System and other available communications.

(2) Instruction based on fallout information will be disseminated to the public by all available communications by State and local governments.

B. COMMUNICATIONS AND CONTROL

1. OPERATIONAL CIVIL DEFENSE COMMUNICATIONS

a. National Communications System

Communications consisting of teletype and telephone, backed up by radio, will be maintained at all times by FCDA to its regions and the States. (Radio will comply with FCC regulations governing Conelrad.) (See "Future Developments," Annex 13, Par. B.)

b. State and Local Communications

State and local governments will maintain communications for their emergency operations. The Radio Amateur Civil Emergency Service (RACES) will provide essential communications for regional, State and local use to augment normal communications or to substitute for them if necessary. (RACES will comply with FCC regulations governing Conelrad.)

2. COMMUNICATIONS WITH THE PUBLIC

a. Broadcasting

(1) Pre-Conelrad

Prior to the invocation of Conelrad, civil authorities will use all means of broadcasting--AM and FM radio and television -- to give emergency instructions and information.

(2) Conelrad

(a) The Commander of NORAD is responsible for ordering the radio alert which puts the Conelrad plan into effect.

(b) As soon as possible the participating AM stations will return to the air on the approved maximum power and broadcast vital information and instructions to the public on either 640 or 1240 kilocycles. FM and TV stations remain off the air for the duration of the radio alert.

(3) Post-Conelrad

After the Conelrad radio alert has been terminated by the NORAD Commander, civil authorities will use all surviving means of broadcasting.

(4) Priorities of Use

Without regard to the phase (Pre-Conelrad, Conelrad or Post-Conelrad) instructions and information relating to measures that will support military operations and save life have priority over all other information and instructions.

b. Other Means

As the situation permits, all other existing means of communications other than those required to support military operations will be used, including television, FM and AM radio after Conelrad has been removed. Use of telephones and instructions by printed media supplement such means.

(See "Future Developments," Annex 13, Par. C.)

3. CONTROL

a. Control centers and emergency government locations will be established preattack by national headquarters of Federal agencies, by FCDA regions, by other Federal field establishments as appropriate, and by each State, Possession and Territory and by each target area city, with communications maintained at all times. (See "Future Developments," Annex 13, Par. D.)

b. The chief executives of all governments will direct their civil defense emergency functions, with civil defense directors serving as staff officers for coordination and implementation.

(See "Continuity of Government," Annex 2.)

C. COURSES OF ACTION PRIOR TO ATTACK FOR PREVENTION OF DAMAGE

1. PRE-EMERGENCY

a. Preparations for Insuring Continuity of Government

(See "Continuity of Government," Annex 2.)

b. Preparations for Emergency Disaster Services

States and their political subdivisions, with the financial and technical assistance of the Federal Government, will accumulate such supplies and equipment and conduct such recruitment and training of personnel as to create maximum capability for disaster services. The Federal Government will acquire and store limited quantities of supplies and equipment for disaster service operations as a general reserve. Emergency disaster services are defined to include

(1) Casualty care and emergency public health

(2) Firefighting

(3) Rescue

(4) Debris clearance

(5) Feeding and housing and the dispensing of other resources and welfare services without which survivors would be in immediate jeopardy

(6) Decontamination

c. Preparations for the Protection of Life and Property From Weapons Effects

Consistent with resources available or to be made available and in conformity with established national policy, (See "Shelter," Annex 3.) each government will supplement individual and family preparations by planning and executing programs related to

(1) Fallout and blast shelters

(2) Reduction of vulnerability of structures, transportation and communications systems, etc.

(3) Controlled movement of personnel.

d. Preparations for Assessment of Damage

Each government will design, construct and maintain in an operating condition a system capable of providing rapid and reasonably accurate estimates of what has survived and is useful to national recovery. (The Federal Government now maintains a National Damage Assessment Center in a classified location equipped and staffed to perform functions related to this requirement.)

e. Preparations for Survival Services

Each government will, as appropriate, and consistent with national plans for the resources and functions involved, identify requirements, develop procedures, accumulate supplies, materials and equipment and train personnel for the performance of survival services necessary to be conducted until normal methods are restored. Survival services include, but are not limited to

(1) Control, acquisition and distribution of survival commodities

(2) Emergency maintenance or restoration of

    (a) Essential community services

    (b) The administration of justice

    (c) Public transportation and communications systems

    (d) Public morale, education and instruction

    (e) Decontamination

(3) Emergency manpower control and allocation.

f. Training and Education of the Public to the Probable Effects of Nuclear Attack and to the Public Responses Required

Each government will conduct programs of public education and training for the persons residing within its jurisdiction, as set forth in Annex 11.

g. Preparation of Plans to be Executed Postattack

Each government will be prepared to execute all courses of action after attack as set forth in Section V. D. of this Plan.

2. LIMITED EMERGENCY

During periods of extreme international tension and when the President or the Congress finds that the national security demands the invocation of extraordinary authority for civil defense programs short of the declaration of a civil defense emergency, the Federal Civil Defense Administrator will request authority to

a. Furnish financial assistance to States to accelerate civil defense activity.

b. Prescribe and administer systems for the distribution of essential consumer items.

c. Exercise requisitioning and condemnation authority.

3. EMERGENCY

From the time of first warning, local, State and Federal Governments will take action to reduce the vulnerability of people and property.

a. Evacuation

Target cities and other areas near assumed targets will, if time and conditions permit, execute plans for evacuation to prepared reception areas.

b. Shelter

If time and conditions do not permit evacuation full advantage will be taken of existing shelter, and fallout protection will be improvised. (See "Shelter," Annex 3.)

D. COURSES OF ACTION AFTER ATTACK

1. GENERAL

a. State and Local

State and local governments, coordinated by their civil defense staffs, will perform emergency functions within the regularly constituted governmental structure, augmenting it where needed.

b. Federal (except military -- see (c) below).

(1) During a civil defense emergency period, the Federal Government will afford a high priority to programs essential to the protection of life and property and to the continuity of government, and will help where appropriate state and local governments to carry out their responsibilities by contributing leadership, direction and resources.

(2) The Federal Civil Defense Administrator, acting as a staff officer of the President, will coordinate and direct, for civil defense purposes, the relief activities of the various departments and agencies of the United States.

(3) The heads of Federal departments and agencies assigned responsibilities for civil defense plans will, during a civil defense emergency period, execute such operational plans.

Operational requirements of the Federal Government include assessment or estimate of the national situation existing or expected to exist in the general category of responsibility assigned. The same will be provided to the Administrator, FCDA.

c. Military Support

(See "Role of the Military," Annex 8.)

2. MAINTENANCE OF LAW AND ORDER

a. State and Local

Local government is the basic entity responsibile for the maintenance of law and order. Police agencies will be thoroughly familiar with the local civil defense plan and command echelons of Federal, State and neighboring local police services.

State law enforcement forces will support local police services as the attack situation allows. Requests for additional police support are not made to the Federal Government until State and local police are inadequate to cope with the situation.

b. Federal

Upon request of the State government, or subject to the inability of the State government to act, the the Federal Government will assume and exercise all necessary government functions in areas where it is determined that governmental organizations have been rendered incapable of performing functions vital to the maintenance of law and order, and to the success of the civil defense effort generally.

The Secretary of Defense will provide military aid to the civil authority, to assist in the maintenance of law and order, to the extent that such commitment will not interfere with the conduct of primary military missions.

(See "Role of the Military," Annex 8.)

3. DISASTER SERVICES (As defined in Section V-C-1-b)

a. GENERAL

(1) State and Local

Local governments will commit disaster forces under their control as required by the situation, evaluate their capabilities and notify the State of deficiencies or excess capabilities.

The State in turn will evaluate the total situation within the State and commit State disaster forces, including those made available by invocation of interstate compacts, as indicated by the situation.

Field offices of appropriate Federal agencies and nongovernmental organizations (including American Medical and American Hospital Associations, Red Cross, etc.) will, if possible, assist the States in providing disaster services.

When State capabilities are deficient and deficits cannot be made up from the invocation of interstate compacts, requests for needed support will be made to the FCDA Regional Administrator. Capabilities excess to the needs of the States will also be reported to the Regional Administrator.

(2) Federal

Federal disaster service capabilities, including those reported as excess to the needs of States, will be made available to augment State and local resources as soon as possible when not required for emergency activities of the Federal Government. An appropriate portion of the total of Federal disaster service materiel will be committed only for reestablishment of a minimum level of regular community disaster capability for the surviving population.

b. EMERGENCY WELFARE

(See "National Welfare Plan," Annex 9.)

c. MEDICAL CARE

(See "National Medical and Health Plan, Annex 7.)

d. DECONTAMINATION

(See "National Radiological Defense Plan, Annex 10.)

e. RESCUE, CLEARANCE OF DEBRIS, AND FIRE PROTECTION

(See "Disaster Services," Annex 21.)

4. RADIOLOGICAL, GAS AND GERM WARFARE DEFENSE

a. Radiological Defense

(1) State and Local

Local authorities will monitor the areas for radiological contamination, identify the degree and location of the radiological hazards and report such hazards to the public and to the State. States will conduct such monitoring activities as are possible, accumulate, evaluate and summarize the total radiological situation in the State and advise Regional Administrator, FCDA and the general public of the state.

(2) Federal

The Weather Bureau, Department of Commerce, under the direction and coordination of FCDA, will make fallout forecasts available to States and others and will disseminate all available data on possible areas of contamination.

(See "National Radiological Defense Plan," Annex 10.)

b. Gas and Germ Warfare Defense

(1) State and Local

State and local governments, coordinated by their civil defense staffs, will detect, identify and control chemical and biological warfare agents within their jurisdiction and will report the situation regarding biological and chemical warfare to other echelons and to the public.

(2) Federal

Under the direction and coordination of FCDA, the Department of Health, Education, and Welfare will direct Federal activities concerned with the nonmilitary detection, identification and control of chemical and biological warfare against humans, and the Department of Agriculture will direct Federal nonmilitary activities concerned with chemical and biological warfare against animals or crops.

(See "National Gas and Germ Warfare Defense Plan," Annex 15.)

5. CLANDESTINE AND UNEXPLODED ORDNANCE

a. State and Local

State and local forces will provide reconnaissance of unexploded ordnance within their jurisdiction, and report the existence of such ordnance to the closest Department of Defense Explosive Ordnance Disposal Unit or military installation, or to the Federal Bureau of Investigation, or lacking these, to the FCDA Regional Administrator. State and local forces, coordinated by their civil defense staffs, will provide for restriction of areas and protection of persons from such ordnance until arrival of the responsible explosive ordnance personnel.

b. Federal

The Federal Bureau of Investigation will investigate reported incidents of clandestinely introduced weapons. The Department of Defense, through its Explosive Ordnance Disposal Units, will disarm atomic weapons and dispose of other unexploded weapons. The Atomic Energy Commission will take custody and dispose of fissionable materials of unexploded ordnance.

6. USE OF RESOURCES

a. Responsibilities

Individuals and families will be prepared to exist on personal stocks of survival items in homes and shelter areas for two weeks following attack.

Cities, counties and States will be prepared to exist on consumer items and essential equipment available within their respective jurisdictions for a minimum of four weeks following attack.

The Federal Government will be prepared to assist the States, political subdivisions and individuals, as soon as possible following attack after meeting military and other essential Federal requirements. For planning purposes, Federal stockpiles and other resources available to the Federal Government will be considered available for allocation to States on the basis of need, after the fourth week following attack.

b. General Procedures

Stockpiles of local and State governments and commercial stocks in the hands of retailers will automatically be available to local governments. Wholesaler and manufacturer inventories will be utilized on the basis of prearranged plans endorsed by State and Federal government agencies concerned.

(1) Local Governments

As soon as possible following attack local governments, coordinated by their civil defense staffs, will provide for accumulation, control and distribution of goods and services essential to the maintenance of life and the preservation of government. When local resources (including those made available by nearby support communities) are exhausted or will not meet the need, requests of local governments for assistance will be made to the State. Requests will be made by local governments to Federal agencies for assistance only under prearranged plans approved by the State.

(2) State Governments

As soon as possible after attack, the State will exercise general coordination and direction over resources within its borders, and in accordance with national plans. On the basis of relative needs, the State will fill requests for assistance from local levels, from resources under State control, including stockpiled materials, and support available from other States.

Each State will keep the FCDA Regional Administrator informed of critical resources committed within the State or across the State lines and of resources surplus to the State's needs. The commitment of resources will be as follows

(a) Within intrastate mutual aid perimeter, automatically to an attacked area or on request of the attacked city

(b) Within an attacked State, other than either of the above situation, upon the order of the State

(c) Across any State line, upon the basis of prearranged plans coordinated by the FCDA Regional Administrator or upon request to and direction from him.

Requests for support will be made to the FCDA Regional Administrator when required resources are not available either within the State or through interstate compacts. When there is a disagreement over the priority needs of one State member of an interstate compact as against another member, the FCDA Regional Administrator will allocate the resources.

The FCDA Regional Administrator will, when required as a matter of national interest, direct the States to modify or suspend prearranged plans for movement orders to provide for the release of uncommitted resources within an attacked State when there is a greater need in another State, or, the holding and reconsignment of support forces mobilized or under movement orders in nonattacked States.

(3) Federal

Subject to the provision of 6. a and b (1) and (2) above, FCDA will control goods and services for civilian use existing in the civilian economy, and the distribution of goods required to meet essential consumer requirements. (The Office of Defense Mobilization will direct the production required to meet military and civilian requirements, adjudicate conflicting claims on resources, and direct economic stabilization programs.) State and local governments will be utilized to exercise, as agents of FCDA, authority over inventories of designated kinds of goods in the hands of certain industries and wholesalers.

The heads of Federal departments and agencies having normal jurisdiction over resources not previously assigned to emergency activities of the Federal Government will cause such classes of these resources as are specified from time to time by FCDA to be

(a) Inventoried, classified and reported to the Administrator, FCDA

(b) Made available for assignment to federal emergency activity

(c) In the case of field establishments, made available to the governments of States and territories in which they are located unless required for an immediate mission of the federal establishment, or where commitment will impair the national interest. The probable availability will be made known to States and territories so these resources can be incorporated into their plans.

c. For detailed information on national resources planning, see

(1) "National Manpower Plan," Annex 4

(2) "National Food Plan," Annex 5

(3) "National Water Plan," Annex 6

(4) "National Medical and Health Plan," Annex 7

(5) "Role of the Military," Annex 8

(6) "National Welfare Plan," Annex 9

(7) "National Transportation Plan," Annex 16

(8) "National Fuel and Power Plan," Annex 17

7. EMERGENCY RESTORATION OF PUBLIC FACILITIES AND UTILITIES

a. State and Local

Local officials will identify those public facilities (such as radio stations, streets, roads, sewerage systems, and airports) and utilities services (such as water, electric power, and gas) essential to the continued life of the community. They will direct, through appropriate departments of local governments, repair and restoration of vital public facilities and utilities and the order in which essential needs for local service should be met. If locally available materials or manpower resources are inadequate for such needs, mutual assistance arrangements with other local governments will be invoked. Utility systems will make known mutual assistance arrangements to the governmental entities concerned. Such arrangements will be invoked to furnish service for essential needs. Request for Federal assistance shall be made through the State civil defense organization, unless other arrangements exist.

To the extent possible and as required by the situation, State governments shall assist the local governments in the repair and restoration of public facilities essential to state-wide emergency activities, and allocate available utility service within the State where conflicts between localities in the use of the service arise. The State shall modify its regulations on utility operations to the extent necessary to facilitate restoration of service within the State and in other States.

b. Federal

The Federal Government will:

(1) Identify those facilities and utilities which supply services to nationally vital facilities.

(2) Allocate utility services where necessary.

(3) Resolve conflicts in essential needs of all.

(4) Exercise priority and allocation and requisitioning authority, to expedite and direct the flow of materials and equipment to restore or construct vital public facilities and utility facilities to provide services on basis of relative urgency as determined after consideration of needs.

(5) Take necessary actions, (such as ordering interconnection of utility systems), to assure maximum effectiveness in use of inter-State resources.

(6) In areas where the Federal Government has equipment and trained manpower which would be useful in restoration of public facilities and utilities, make such resources available if they are not needed for duties of equal or greater essentiality. (See Annex 17)

VI. RESEARCH AND DEVELOPMENT FOR CIVIL DEFENSE

The Federal Government will fund, maintain and support a complete and coordinated research and development program to determine optimum methods, materiel and facilities for the civil defense of the United States. The same will be coordinated by FCDA. (See "Research and Development for Civil Defense," Annex 11.)

This program will be consistent with the estimated net attack probabilities (See Annex 1) and will include subject matter on: weapons effects (including sociological and psychological effects); passive defense techniques; operational systems for identifying, computing and transmitting operational data; resource data accumulation, analysis and use; and equipment design and use.

Financial contributions to States for the conduct of programs of applied research on problems unique to their jurisdiction or to those of their political subdivisions will be provided where adequately justified.

VII. TRAINING AND EDUCATION

The Federal Civil Defense Administration will stimulate and conduct when necessary, civil defense programs for training and education. Contributions to the States and their political subdivisions for civil defense training and education activities will be made available.

The objectives of these programs are

A. To assist governments at all levels to obtain operational readiness in emergency

B. To provide every person with information and instructions essential for survival.

(See "Training and Education," Annex 12.)

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CABINET PAPER

For Information

ANNEX 1. - - PLANNING BASIS

A. Attack Factors

It is assumed that weapons employed against the United States in an attack at any time within the next ten years would be predominantly of multimegaton yield. The use of biological and chemical agents is possible. Delivery systems would be predominantly manned at the beginning of this period, with a resulting probable maximum tactical warning of initial attack of three hours for the nation as a whole; by the end of the period, delivery systems would be predominantly unmanned, with maximum tactical warning of initial attack reduced to one-half hour for the nation as a whole. AT ANY TIME DURING THIS PERIOD, ATTACK COULD COME WITH NO TACTICAL WARNING.

B. Assumed Targets

It is assumed that bases of military retaliation, other important military installations and concentrations of population and industry will be targets for nuclear attack. It is further assumed that targets will be selected from the eight criteria listed in FCDA Planning Assumptions (AB 204) and that, between 1958 and 1967, there will be a capability of bringing an increasing number of these targets under attack.

C. Postattack Environment

Large groups of the postattack population will be geographically isolated, regardless of preattack protective measures. Group location, size and degree of isolation will vary with attack magnitude and character and with preattack preparations.

Normal systems of distribution, communication, transportation, production, finance, services, law enforcement, governmental aid and direction will be disrupted or nonexistent for periods ranging from days to months. This will require geographic self-sufficiency for survival for a varying period ranging to several months.

Organized and professional public health services and medical care will be disrupted or nonexistent for extended periods. This will require individual, family and group self sufficiency in health treatment and practice.

Geographic separation of persons from their private property, and the necessity to conserve resources for national survival use only, will complicate existing concepts of property relationships.

Attack-caused separation of persons from accustomed work environment will contribute to economic and social dislocations and will make difficult the reorganization of the work force.

Governments may be reorganized, combined or divided. Responsibilities of government will severely increase; its resources will be diminished.

Radiological contamination may be widespread, long term and intense, and cause, in addition to substantial numbers of casualties, a significant lessening of ability and willingness to work. Radiation may also cause long-term interdiction of geographic areas and a general immobility locally, regionally and at least for a limited time nationally.

ANNEX 2 -- CONTINUITY OF GOVERNMENT

A. The survival of the Nation depends on the ability of the Federal, State and local governments to carry out their responsibilities in the event of a massive attack. The objectives of the Continuity of Government program are

1. Establishment of lines of succession for top executives, legislators, the judiciary and other key personnel

2. Preservation of essential records, including those necessary for the protection of the rights of individuals and the government and for the proper operation of government in case of emergency

3. Establishment of alternate locations for government operations, including executive, legislative, judicial and other key personnel to assure continuous leadership and authority

4. Full use of all personnel, facilities and equipment of government at all levels. Volunteers will be organized and incorporated into the already existing structures of government at all levels as trained auxiliaries to the police, medical, fire and all other services, thereby providing a single cohesive force, under one command, to meet every emergency

B. Each government will take measures to advise the public within its jurisdiction, as appropriate, of its preparations for continuity.

C. During a civil defense emergency, government shall pursue on a priority basis programs essential to the national survival. Other governmental functions will be discharged only to the extent possible after this priority has been observed.

ANNEX 4 -- NATIONAL MANPOWER PLAN

(For guidance now -- to be replaced with detailed plan later.)

A. State and Local

Manpower requirements, especially in the early postattack period, will be identified and satisfied primarily at the local level. When requirements exceed local manpower supply, requests for additional skills and personnel will be forwarded to the State for action.

States will balance manpower requirements against manpower availability and will provide assistance primarily by assignment of personnel already employed by State and local government and by forces auxiliary to regular government agencies.

B. Federal

Manpower support to the States for civil defense purposes will be coordinated by FCDA and provided to the extent available, through the U. S. Employment Service and through the military. (See "Role of the Military," Annex 8.)

The Department of Labor will prepare plans and direct Federal activities concerned with the use of manpower in an emergency. The U. S. Employment Service of the Department of Labor will assist in meeting manpower requirements and will provide advice to State employment services.

ANNEXES 5 and 6 -- NATIONAL FOOD AND WATER PLANS

(For guidance now -- to be replaced with detailed plans later.)

A. State and Local

States and political subdivisions will identify the need for, and take action to execute, the acquisition, control and distribution of food stocks and water in public and private hands within their respective jurisdiction for not less than four weeks after attack, as required by the situation and subsequently in accordance with directions received from higher emergency authorities. Individuals will exist on food and water previously accumulated for such purposes, except where attack effects or other contingencies have destroyed or made unobtainable such sources of supply.

B. Federal

In general, the Federal Government will be prepared to assist States and localities in the provision of food and water as soon as possible following attack.

The Federal Government will assess the availability of post-attack food supplies nationwide, identify and adjust imbalances between resources and requirements in major geographical areas, establish appropriate systems of control and allocation down to the consumer level, and establish priorities for the repair, restoration and rehabilitation of food production, processing and distribution facilities. Within the Federal Government, the Secretary of Agriculture under the supervision of the Federal Civil Defense Administrator, will direct Federal activities in connection with an over-all food program aimed at maintaining adequate emergency food supplies for attacked or support areas.

The Federal Government will provide emergency instructions and assistance to State and local governments for the protection of water supplies and the utilization of emergency water resources. It will also manage, allocate and otherwise control the use of major national water resources such as those on Federal properties (lakes, dams, etc.) and those which are interstate or interregional in nature.

ANNEX 7 -- NATIONAL MEDICAL AND HEALTH PLAN

(For guidance now -- to be replaced with detailed plan later.)

A. State and Local

The State will estimate its medical, manpower and materiel availability and requirements, and will commit State stockpiles of medical supplies and equipment to meet deficits. Field offices of appropriate Federal agencies, and nongovernmental medical organizations (including American Medical and American Hospital Associations, Red Cross, etc.) will assist the States in providing medical care.

When State medical resources are deficient and deficits cannot be made up from the invocation of interstate compacts, requests for needed support will be made to the FCDA Regional Administrator.

Localities will evaluate their medical care situation and notify the State of requirements in excess of their medical resources.

B. Federal

States and political subdivisions will depend on the use of their own medical resources for casualty care immediately after attack. Federal stockpiles of medical supplies and equipment for treatment of casualties will be made available to replenish State and local resources as soon as possible. Other Federal reserves of medical materiel will be committed only for reestablishment of minimum level of regular medical care for the surviving population.

The Department of Health, Education and Welfare, under the supervision of FCDA, will direct Federal activities for protection against communicable diseases, biological and chemical warfare and other public health hazards and will assign Public Health Service regular and reserve professional personnel to areas of greatest need. The Department will direct Federal activities concerned with the emergency restoration of community facilities essential to health.

In time of emergency, FCDA will receive requests for assistance from its Regional Administrators and support will be provided through Federal agencies having the necessary competence.

ANNEX 9 -- NATIONAL WELFARE PLAN

(For guidance now -- to be replaced with detailed plan later.)

A. State and Local

Decisions on the use of welfare supplies immediately following attack will be made at the local level. As soon as possible, the State will direct, support, coordinate and control the welfare resources under their jurisdiction. State resources will be completely committed before requests for support will be made to higher levels.

State governments, coordinated by their civil defense staffs, will provide welfare assistance to political subdivisions out of emergency State stockpiles, by allocations from other resources and through interstate compacts. To the extent possible the local Red Cross chapter and other welfare agencies, food and clothing retailers and hotel and restaurant establishments will be utilized as a part of the local welfare organization.

B. Federal

Coordinated and directed by FCDA, Federal agencies having normal functional welfare responsibilities will provide and use Federal welfare resources. The Department of Agriculture will execute its national emergency food plan, the Department of Health, Education and Welfare will execute its programs for providing aid and clothing for civilians in need, the Housing and Home Finance Agency will execute its programs for providing temporary housing and for making emergency repairs to housing and community facilities, the Department of Interior will execute programs for providing fuel and power for mass care and other welfare activities, the Post Office Department will execute national programs for registration and information of survivors. Appropriate Federal agencies, together with the American National Red Cross, will assist in providing mass feeding, local registration and other welfare services.

Federal agencies will work through the emergency State welfare channels and provide services only to supplement the State and local welfare capabilities.

FCDA Regional Administrators will allocate Federal welfare resources for the use of State and local welfare agencies, such Federal resources then becoming a part of the State or local welfare agencies' resources. The Regional Administrator also will coordinate the welfare needs of his region and obtain assistance from national sources through established channels when regional resources cannot meet the need.

ANNEX 11 -- RESEARCH AND DEVELOPMENT FOR CIVIL DEFENSE

(For guidance now -- to be replaced with detailed plan later.)

A. THE FCDA WILL COORDINATE THE ACTIVITIES OF THE FEDERAL GOVERNMENT TO EVOLVE A PROGRAM OF RESEARCH AND DEVELOPMENT FOR CIVIL DEFENSE WHICH

1. Responds to the passive defense needs of individuals, cities, counties, States and the Federal Government.
2. Applies existing scientific knowledge of the potential effects of nuclear, chemical, biological and psychological weapons
3. Will develop new or improved defensive measures for the protection of the population and the preservation of national integrity in disaster situations
4. Avoids duplication of research and development among other Federal departments and agencies
5. Utilizes, by assignment, interchange, agreement, or contract, the research and development capabilities of other Federal departments and agencies and private research organizations, including universities and colleges
6. Makes available the appropriate results of research and development to other Federal agencies, to States and their political subdivisions and to the professions, business, industry and the general public as well as to appropriate international and foreign organizations.

B. THE FCDA WILL MAINTAIN A SCIENTIFIC AND TECHNICAL CIVIL DEFENSE RESEARCH LIBRARY FOR THE FEDERAL GOVERNMENT.

C. THE FCDA WILL ENCOURAGE AND UNDERTAKE RESEARCH AND DEVELOPMENT IN AREAS SUCH AS THE FOLLOWING AS THEY APPLY TO CIVIL DEFENSE AND PASSIVE DEFENSE

1. The design of structures, equipment, materials and systems in connection with nuclear detonations and the testing of scale models

2. The basic physical effects of weapons, including radiation physics, radiation measurement, meteorology, radiation chemistry and thermal characteristics, as well as measures for the control or easing of effects including protective devices and methods and agents of decontamination

3. The biologic effects of nuclear, biological, chemical and conventional weapons on humans, animals and plants including biophysics and medical sciences, with special emphasis on improving

    a. preventive, counteractive and therapeutic measures

    b. emergency casualty and medical care

    c. supplementation and extension of health resources

    d. emergency sanitation

    e. criteria for reserve medical supplies and equipment

    f. safety standards for plant and animal ecology

    g. food supply through determination of nutritional values of food substitutes.

4. The social and political effects of attack including political and social sciences, requirements for government, economic and human needs

5. The development of physical facilities and systems in the fields of

    a. warning, communications and electronics

    b. shelters and other protective construction

    c. protective service equipment

    d. methods of emergency repair for vital utilities and community facilities.

6. The application of operations research techniques, including the use of electronic data processing machines, to prove out the relative cost effectiveness of various methods of civil and passive defense and to improve operational capability in bomb damage assessment.

ANNEX 12. -- TRAINING AND EDUCATION

A. The Federal Civil Defense Administration will stimulate and conduct when necessary training and education on civil defense.

The objectives:

1. To enable governments at all levels to obtain operational readiness in emergency.

2. To provide every person with information and instructions essential for survival.

B. The Federal Civil Defense Administration will:

1. Inform and train government leadership at all levels to effect emergency operational capability, through

    a. Federal Civil Defense Staff College

    b. Traveling Staff College Teams to supplement resident schools

    c. Issuance of information and guidance by printed material, briefings, motion pictures

2. Provide leadership in education on civil defense through

    a. Incorporation of civil defense concepts and information into the curricula and textbooks of schools and colleges

    b. Professional, educational, patriotic, fraternal, industry, labor and other national organizations

    c. National discussion groups and special conferences

    d. Mass media

    e. Printed material

3. Instruct the public on the effects of nuclear weapons and appropriate survival actions, through

    a. Printed information and instructions

    b. All communications media

    c. National organizations

    d. Guidance to Federal, State and local governments

    e. Participation in Federal emergency information programs.

4. Train key personnel of Federal, State and local governments and their civil defense staffs, through

a. Federal Staff College
b. Federal Training Centers (locations on East Coast, Battle Creek, West Coast)
c. Instructor Training Schools
d. Traveling Training Teams to supplement resident schools
e. Technical materials and packaged training courses for use by instructors at State and local levels.
f. Guidance and assistance in organizing and implementing training programs at Federal, State and local levels
g. A complete and coordinated program of tests and exercises to practice and determine the status of civil defense policies and programs. Such tests will include

(1) Tests of the availability and reliability of operational systems of warning and communications, to be conducted with such regularity as to assure continuous operating condition

(2) Command post exercises to determine current readiness of civil defense programs and preparations to respond to currently possible attack or alert situations, to be conducted not less than annually

(3) Exercises of wide official participation to demonstrate and test the position and interdependence of civil defense with other programs of national defense, to be conducted not less than annually.

(4) Public participation exercises to instruct the public in actions required by attack situations and by civil defense requirements, to be conducted with such frequency as required to maintain an adequate level of public understanding and acceptance of civil defense requirements but not less than annually.

(5) Joint staff exercises of senior representatives from Federal, State or local agencies to promote education to new or especially significant problems and to achieve a maximum involvement in policy and program construction, to be conducted not less than semiannually.

C. FCDA will make avilable contributions for

1. Establishment of State and local training schools
2. Training State and local personnel
3. Projects designed to instruct the general public in civil defense measures.

D. The Department of Health, Education and Welfare, through the Office of Education, will assist State and local school systems to incorporate civil defense into the curricula of the schools.

E. States and local governments will

1. Provide indoctrination and leadership training to persons with civil defense responsibilities, through
    - a. Training centers or schools
    - b. Adult education systems
    - c. Information and guidance

2. Instruct the public on the effects of nuclear weapons and appropriate survival actions, through
    - a. Incorporation of civil defense concepts in curricula and textbooks of schools and colleges
    - b. Professional, educational, patriotic, fraternal, industry and labor organizations
    - c. State and local discussion groups and organizations
    - d. All communications media

3. Instruct and train the public in actions necessary to implement State and local operations plans, through
    - a. All communications media
    - b. Printed instructions
    - c. System of personal contact
    - e. State and local organizations and discussion groups

4. Train civil defense leaders and provide technical and skills training to State and local government personnel in augmentation courses, through
    - a. Technical training schools
    - b. Vocational education facilities and personnel
    - c. Instructions and printed material

5. Conduct tests and exercises to practice and determine the status of civil defense readiness, through
    - a. Public warning and communications
    - b. Command post exercises to improve operational plans
    - c. Public participation exercises to instruct the public in actions required by attack situations

    - d. Joint staff exercises to promote new or especially significant problems.

ANNEX 13 -- FUTURE DEVELOPMENTS

A. NATIONAL WARNING SYSTEM

The number of points receiving warning and warning intelligence direct from FCDA will be increased from 200 to 276 in Fiscal Year 1959. The system will be further improved to help attain the ultimate objective of giving prompt warning to all people. FCDA will continue to pay full communications costs to the warning points and to provide matching funds for purchase, installation and maintenance of warning systems below warning points, including public action sirens and other devices, together with alternate power facilities.

B. NATIONAL CIVIL DEFENSE COMMUNICATIONS SYSTEM

1. The National Civil Defense Communications System connects the FCDA National Headquarters with the Regional offices, and the latter with the State civil defense offices. The system also provides communications between the national emergency location near Washington, D. C., and FCDA National Headquarters. It is a private-line alternate teletypewriter and telephone system which can bypass damaged areas if necessary and increase the likelihood of continuity of operation in an emergency. The classified location is connected by teletypewriter and telephone to the other Federal agencies' emergency relocation sites.

2. Radio facilities to supplement the present teletypewriter and telephone circuits of the National Communications System will be installed among National Headquarters of FCDA, the national emergency location and the seven FCDA Regions in 1959, and as soon as possible thereafter, to the States.

C. EMERGENCY BROADCASTING

1. FCDA will strengthen national, State and local capability of reaching the public through broadcasting.

2. FCDA will continue to make contributions for auxiliary power systems for broadcasting, and will seek the allocation of additional radio frequencies for civil defense use.

3. The FCC will continue to encourage AM broadcasters to make necessary mechanical modifications so that they can broadcast during Conelrad. If current tests are successful, Phase II Conelrad will become operational in 1958. In this phase some 75 clear-channel AM stations will be linked together in a national network so that a single broadcast can be received by practically all radio receivers.

4. Research and development will be continued in order to improve the capability of existing broadcasting stations and systems and of other systems of broadcasting to the public, including ground wave systems, so as to attain the ultimate -- a single broadcast receivable by all radio receivers.

D. CONTROL CENTERS

Priority will be given to increasing the operational capability of the control centers from which government will act in an emergency. Federal matching funds will continue to be available to States and cities for providing adequate blast and fallout pretection and for the incorporation of adequate communications and other operational facilities. As permitted by available funds, FCDA will construct national and regional control centers, going underground where feasible. Such facilities will have an everyday as well as emergency use. Other Federal departments and agencies and State and target cities will be encouraged to construct similar facilities from which to operate.

E. MEDICAL AND HEALTH ACTIVITIES

FCDA will support programs to strengthen medical and health capability in emergency. Such programs will include

1. Additional procurement and distribution of radiation measuring instruments so as to achieve adequate capability in this regard in each State and such cities and towns as the State may designate. The cost of instruments for individual or purely local use is to be shared through contributions. The cost of instruments for incorporation in national and regional systems is to be Federal.

2. To the extent possible with available funds, additional procurement and warehousing of essential or critical medical supplies so as to achieve Federal reserves adequate to provide

   a. During the fifth and subsequent weeks following attack, support to the States and their political subdivisions especially in the treatment of radiation casualties

   b. Reestablishment of minimum regular medical care during the civil defense emergency for survivors.

3. Continued provision of matching funds to the States and cities for the procurement of medical supplies adequate to provide during the first four weeks following attack

   a. Casualty care

   b. Minimum health needs for survivors.

4. First aid training to individuals and families so as to provide a basis for "home" treatment of casualties and illness during the first two weeks after attack.

F. FALLOUT FORECASTS

An automatic bomb detonation surveillance system will be established as soon as feasible to permit more accurate assessment of damage and levels of radiation intensities. This system will directly measure and report location, size and type of burst of nuclear detonations. When combined with intelligence assumptions on weapon composition and meterorlogical data, gross predictions of intensity as well as the extent of the area affected will be possible.

ANNEX 14. - - INDIVIDUAL ACTION

A. GENERAL

Civil Defense is the business of every citizen. The individual must be capable of caring for himself in an emergency while contributing to the organized community survival effort. Similarly, the family unit trains and prepares to solve its own emergency problems and to assist others in need.

B. EMERGENCY SUPPLIES AND EQUIPMENT

Each person and family must be prepared to meet individual survival requirements for two weeks following an attack without dependence on outside assistance. Essential items include an emergency food supply, fuel supply, first aid supplies and other personal materials necessary to sustain life, including a battery operated radio. Strict conservation must be practiced to insure that these items are not wasted or consumed too rapidly.

C. FOOD AND WATER

At least a two week supply of food and water should be stocked. The food supply should consist pf canned and dried foods that can be eaten without cooking. The drinking water supply should be changed at regular intervals, at least every three months.

Discipline in the conservation and use of available food is to be exercised by each individual citizen. Households must be able to survive for at least two weeks after attack on supplies of food and water existing in the home.

D. MEDICAL CARE

Medical care is expected to begin with the individual. At least one member of each family group should be trained in first aid and home nursing care.

E. SANITATION.

Shelter areas should have a covered can for garbage, a container with tight fitting lid for human waste, and a receptacle that can be used as a toilet. Household disinfectant should be added to the garbage and waste containers periodically to control odors and bacterial growth. A supply of grocery bags and newspapers may be useful for sanitary purposes.

F. FIRE PROTECTION

In the immediate postattack period, persons in areas under heavy nuclear attack cannot count on receiving organized assistance in their individual efforts to reduce the danger from fire.

Individuals must be self reliant in the face of fire, improvising to help eradicate fire hazards.

G. RESCUE

Individuals and their families are responsible for knowing the rudiments of light rescue work so that they may help themselves excape from private structures and shelters.

H. CLEARANCE OF DEBRIS

Individuals and their families are responsible only for clearance of light debris around their homes or shelter areas.

I. EMERGENCY WELFARE

The indificual and family decrease the welfare load by taking steps for their own survival, maintenance and other welfare needs during the first two weeks following an attack.

J. MAINTENANCE OF ORDER AND CONTROL

Individuals respect the law and cooperate with recognized law enforcement officers.

K. MANPOWER

Persons who are not adversely affected by prevailing emergency conditions or who have successfully overcome the effects of enemy attack report their availability to local government authorities.

L. RADIOLOGICAL, GAS AND GERM WARFARE DEFENSE

Individuals are responsible for learning techniques necessary to minimize the casualty-producing effects of radiological, gas and germ warfare.

ANNEX 16. -- NATIONAL TRANSPORTATION PLAN

(For guidance now -- to be replaced with detailed plan later.)

A. State and Local

Each state will control and direct the use of local transportation resources within its jurisdiction required for local civil defense operations, except those required for emergency Federal purposes, in coordination with the transportation industries.

States will request additional transportation resources through the appropriate FCDA Regional Office.

Local governments will control and direct the use of local public and private transportation resources needed for civil defense purposes, except those required for State or Federal use.

Local governments will request additional transportation resources from their respective States as required.

B. Federal

The Federal Government will control transportation resources required for the execution of national military and civil defense measures. Use of these resources will be coordinated with the State and local governments and with the transportation industry.

The Federal Civil Defense Administration will allocate Federal agencies' emergency transportation for their civil defense needs. Field establishments of Federal agencies will request transportation resources for civil defense purposes through the appropriate FCDA Regional office.

Transportation resources not required for Federal emergency use will be available for use of the States.

ANNEX 19 -- COMMAND CHANNEL OF THE FEDERAL CIVIL DEFENSE ADMINISTRATION

A. In the absence or incapacity of the Administrator, the line of succession to command of the organization will be as follows

The Deputy Administrator
The Executive Assistant Administrator
The Assistant Administrator, Operations
The Regional Administrator, FCDA Region 5
The Regional Administrator, FCDA Region 6
The Regional Administrator, FCDA Region 3
The Regional Administrator, FCDA Region 4
The Regional Administrator, FCDA Region 7
The Regional Administrator, FCDA Region 8
The Regional Administrator, FCDA Region 2
The Regional Administrator, FCDA Region 1

B. The command during a civil defense emergency period will be exercised from the following points in order, each succeeding point assuming command only if all previously designated points are inoperative

The Classified Location, near Washington, D. C.
The National Headquarters, Battle Creek, Michigan
Headquarters, FCDA Region 5, Denton, Texas
Headquarters, FCDA Region 6, Denver, Colorado
Headquarters, FCDA Region 3, Thomasville, Georgia
Headquarters, FCDA Region 4, Battle Creek, Michigan
Headquarters, FCDA Region 7, Santa Rosa, California
Headquarters, FCDA Region 8, to be determined
Headquarters, FCDA Region 2, Olney, Maryland
Headquarters, FCDA Region 1, Harvard, Massachusetts

C. Regional areas (See Map)

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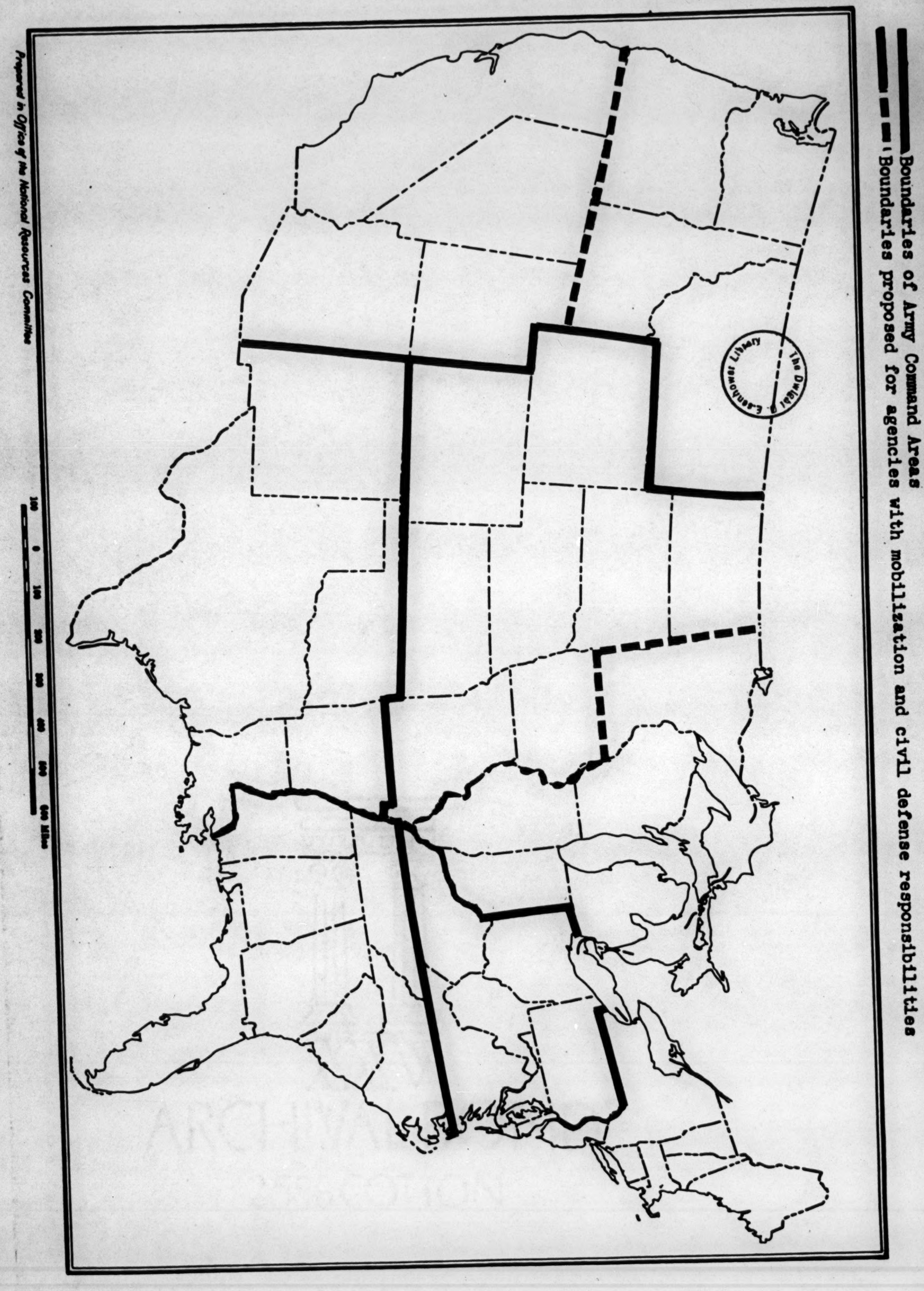
Boundaries of Army Command Areas
Boundaries proposed for agencies with mobilization and civil defense responsibilities
Prepared in Office of the National Resources Committee
100 0 100 200 300 400 500 600 Miles

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For Information

ANNEX 20. - - FEDERAL DELEGATIONS AND ASSIGNMENTS

Pursuant to applicable laws and executive orders, the delegations and assignments of civil defense responsibilities shown below or subsequently made are hereby incorporated in the National Civil Defense Plan.

A. DELEGATIONS OF CIVIL DEFENSE RESPONSIBILITY

1. GENERAL DELEGATIONS

Each delegation carries with it (1) the authority during a civil defense emergency whenever needed to carry out responsibilities delegated, to employ temporarily additional personnel without regard to the civil service laws and to incur such obligations on behalf of the United States as may be required to meet the civil defense requirements of an attack or of an anticipated attack; and (2) the authority to disseminate such civil defense information as may be approved from time to time by the Federal Civil Defense Administrator.

2. THE SECRETARY OF AGRICULTURE

a. Plan a national program and direct Federal activities concerned with research, diagnosis, strengthening of defensive barriers, and control or eradication of diseases, pests, or chemicals introduced as agents of biological or chemical warfare against animals or crops.

b. Plan and direct Federal activities, and provide technical guidance to States, in connection with an overall food program aimed at maintaining adequate emergency food supplies for attacked or support areas.

c. Plan a national program, direct Federal activities, and provide technical guidance to States concerned with the prevention and control of fires caused by enemy attack in rural areas of the United States.

3. THE SECRETARY OF COMMERCE

a. Provide advice and guidance to state highway departments in the designation of State civil defense emergency highway routes.

b. Coordinate interstate and State designated civil defense highway systems to assure uniformity of designation for civil defense emergency purposes.

c. Plan a national program, develop technical guidance for States, and direct Federal activities concerning emergency clearance and restoration of highways, streets and bridges in damaged areas.

d. Provide technical guidance to States concerning highway traffic control problems which may be created during a civil defense emergency.

e. Provide data and assist the States in conducting analyses of potential target and support areas for the purpose of providing basic statistics and maps essential to the completion of Federal, State and local civil defense operating plans.

f. Determine and evaluate, with the cooperation of the States, counties and cities, and assist in the planning of the needs for highway improvements to meet civil defense requirements.

g. Prepare analysis of past data, conduct research, and develop techniques and capabilities leading to improved forecasts of radiological fallout patterns.

h. Prepare and issue currently, as well as in an emergency, forecasts and estimates of areas likely to be covered by fallout as a result of enemy attack. Such information is to be made available to Federal, State and local civil defense authorities for public information.

4. THE SECRETARY OF LABOR

a. Plan and develop a national program relating to the utilization of the labor force, during a civil defense emergency, consistent with the responsibilities of the Department of Labor with respect to manpower mobilization.

b. Conduct research and provide a method of estimating survivors, by occupational and social characteristics, and for determining their availability for employment during a civil defense emergency.

c. Provide technical guidance to the States and direct Federal activities concerned with coordination of the nationwide system of employment service offices for determining requirements of, and recruiting, referring, and utilizing workers to meet, civil defense needs.

d. Plan a national program, develop technical guidance for States, and direct Federal activities concerned with the methods of compensation for authorized workers in a civil defense emergency.

e. Plan a national program, develop technical guidance for States, and direct Federal activities concerned with the provision of compensation for the injurty or death of authorized workers while engaged in civil defense activities.

f. Plan a national program, develop technical guidance for states, and direct Federal activities concerned with financial assistance for temporary aid to members of the labor force during periods of idleness due to destruction of working places through enemy action.

5. THE ATTORNEY GENERAL

a. Provide technical guidance to States concerning the protection of penal institutions and the control and utilization of prisoners and facilities during a civil defense emergency.

6. THE HOUSING AND HOME FINANCE ADMINISTRATOR

a. Conduct research and provide technical guidance to the States concerning protective standards for new housing construction and temporary shelter in existing housing facilities.

b. Plan a national program, provide technical guidance to the States, and direct Federal activities concerned with the provision of temporary emergency housing in support of areas subjected to enemy attack.

c. Plan a national program, develop technical guidance for States, and direct Federal activities concerned with the emergency restoration of essential housing and those related community facilities damaged by enemy action for which the agency normally has legal responsibility.

7 7. THE SECRETARY OF INTERIOR

a. Plan and direct Federal activities designed to procure, store, transport and distribute adequate fuel supplies to attacked areas and reception centers, consistent with the national emergency fuel program.

b. Plan a national program, provide technical guidance to the States and direct Federal activities concerned with the emergency restoration of electric utility service to attacked areas and provision of adequate electric utility service to support areas.

8. THE SECRETARY OF HEALTH, EDUCATION AND WELFARE

a. Plan a national program, develop technical guidance for States, and direct Federal activities concerned with financial assistance for the temporary relief or aid of civilians injured or in want as the result of attack.

b. Plan, program and develop technical guidance for the States and direct Federal activities concerned with the acquisition, transportation and payment for clothing of civilians in want as a result of attack.

c. Plan a national program, develop technical guidance for States, and direct Federal civil defense activities concerned with research with respect to, and detection, identification and control of: (1) communicable diseases in humans; (2) biological warfare against humans; (3) chemical warfare against humans; and (4) other public health hazards.

d. Plan, develop and direct Federal activities concerned with a national program designed to provide Public Health Service reserve professional personnel from support areas to those damaged by enemy attack.

e. Plan, develop and distribute through appropriate channels, training materials for incorporation in the curricula of schools and colleges throughout the United States in order to integrate the teaching, in all possible courses, of civil defense skills, and knowledge and fundamentals of behavior during emergencies.

f. Plan, develop and distribute, through appropriate channels, technical guidance concerning the provision of shelter and other protective measures, designed to minimize injury to personnel and reduce damage to vital functional components of educational institutions and hospitals and of water, sewer and other public health facilities.

g. Plan a national program, develop technical guidance for States and direct Federal activities concerned with the emergency restoration of community facilities essential to health or functional components thereof for which the Public Health Service normally has regular operating programs.

h. Plan a national program, conduct research, develop technical guidance for States, and direct Federal activities designed to meet the extraordinary needs for food and drug inspection and control in attacked areas.

i. The promulgation and issuance, upon approval of the Federal Civil Defense Administrator, of minimum standards of operations for State agencies for the acquiring, warehousing, use and transfer of Federal surplus personal property for civil defense purposes.

j. The issuance of regulations, in accordance with criteria developed by the Federal Civil Defense Administrator, governing the program for the donation of property for civil defense purposes.

k. The development and issuance of forms and procedures to be utilized in freezing, allocating, requesting, distributing, and retransferring donable surplus personal proerty for civil defense purposes.

l. The maintaining of liaison, directly with and trhough State agencies wirh all Federal installations, for the purpose of locating, inspecting, screening and freezing reported and nonreported Federal surplus personal property usable and necessary for civil defense purposes.

m. The maintaining ofliaison with GSA Regional offices for the purpose of inspecting, screening, and freezing reported Federal surplus personal property usable and necessary for civil defense purposes.

n. The maintaining of liaison with Headquarters offices of the Executive Branch, and with other Federal agencies, for the purpose of coordinating policy and resolving problems or difficulties encountered in connection with the donation of Federal surplus personal property for civil defense purposes.

o. The allocation in conformance with criteria developed by the Federal Civil Defense Administrator, and based upon State certification of need and usability for civil defense purposes, of Federal surplus personal property.

p. The processing of applications for surplus personal property for civil defense purposes, based upon certification of the State Agency for Surplus Property and under regulations issued by FCDA concerning need and usability of such property for civil defense purposes; and the development of forms of application to incorporate conditions regulating donations for civil defense purposes, and the routing and distribution of these forms.

q. The maintaining of liaison with holding agencies and the General Services Administration for the purpose of assuring prompt removal of property approved for donations, reporting shortages, overages, and resolving difficulties encountered.

B. OTHER ASSIGNMENTS

This section will be extended and amended from time to time. It will include specific assignments for continuation or resumption of preattack functions essential to the performance of civil defense emergency activities, and the emergency direction and utilization of classes of Federal resources not otherwise covered. It will also include civil defense aspects of activities for which operational assignments have been made by the Office of Defense Mobilization.

ANNEX 21. -- DISASTER SERVICES

A. FIRE PROTECTION

1. State and Local

Fire fighting in the postattack period will be performed primarily by local fire organizations. Individuals will fight fires to the extent of their ability, and will serve as auxiliaries to regular fire organizations.

Neighboring communities will invoke mutual aid agreements where indicated, to provide maximum use of all available fire forces.

2. Federal

Equipment and trained personnel of Federal agencies will assist State and local governments in fire fighting when such equipment and personnel are not immediately required for other Federal assignments. Priority in the use of Federal personnel and equipment available for fire fighting will be given to conflagrations jeopardizing nationally significant communications and transportation lines or other important national resources, and to the preservation of Federal properites essential to national rehabilitation. In this connection, the Secretary of Agriculture under the supervision of the Federal Civil Defense Administrator will direct Federal activities connected with the prevention and control of fires caused by enemy attack in rural areas of the United States.

B. RESCUE

1. State and Local

Rescue operations will be conducted primarily by local rescue organizations. In the event local resources are inadequate the State will arrange for such augmentation as is available, in the light of total State rescue needs.

2. Federal

The Federal Government will support State and local rescue activities by providing Federal equipment and personnel when such equipment and personnel are available and not immediately required for other Federal emergency assignment.

C. CLEARANCE OF DEBRIS

1. State and Local

Clearance of debris will be performed by local governments, coordinated by their civil defense staffs, where its removal from arteries of transportation or communications is essential to the immediate preservation or protection of life and property. Long-term debris clearance will proceed only as required.

2. Federal

In exceptional emergency cases, clearance of debris from nationally-significant transportation and communications lines will be performed by forces available to the Federal Government.

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GRAY!

Progress Report on Operation Alert 1958

Preparation for Operation Alert has proceeded in accordance with the plans submitted to the Cabinet on January 17. The exercise will take place in three phases.

The first phase will start next week (May 6 - 7). State and local civil defense organizations will participate in a simulated attack situation. This phase of the exercise is devoted primarily to the testing of State and local civil defense emergency actions, including public participation, damage reporting and assessment, and survival and recovery actions.

The local and State governments will evaluate, on the basis of resources available to them, their capability to cope with the attack situation and to determine the kinds of Federal assistance they would need. In order to accomplish this the staffs of the local and State civil defense organizations will continue a staff exercise through the month of May and report to Federal Civil Defense Regions their survival resource requirements.

Having completed our preparation for the first phase of the exercise, the ODM and the FCDA are issuing guidance to departments and agencies on the second phase, the Federal Action Phase.

In prior years emphasis in Operation Alert was on the immediate attack period. This involved movement of people to relocation sites, developing and taking those initial emergency actions that would be required for the Federal Government to deal with an attack situation. Concurrent with initial emergency actions, reports on damage were reported thru civil defense channels, and analyses made on the effects of the attack. Heretofore, due to the shortness of the exercise, lag in communications, and lack of a thorough and comprehensive damage analysis, we have not been in a position to inject substantive problems into the exercise. This year Operation Alert has been staged as indicated. The period of time between each phase in the exercise will enable us to utilize the period between May and July to prepare a comprehensive analysis of damage, requirements and surviving resources resulting from the attack situation. To accomplish this, we have established a number of analysis task groups to work with the National Damage Assessment Center in developing analyses for the principal resource areas, the impact on the economy, and the effectiveness of our continuity of government programs. We have asked the departments and agencies to assist on these task groups in the preparation of the analyses in order that the material will be developed in a form responsive to the needs of the Executive Branch in carrying out its essential wartime functions.

The Federal Action Phase during July will involve activation of relocation sites at the regional and national level. This is a continuation of the emergency training program and will test the interagency communication network and operations of agencies from dispersed sites.

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This year, as a result of the analysis being prepared, it should be possible to more fully evaluate the effectiveness of the emergency plans, including the feasibility of operating in dispersed locations without continuous activation of the sites before the attack.

This year major emphasis is being placed on regional participation in the Federal Action Phase. The Federal agencies at the regional level will start the exercise on July 14 and review the validity of the States' demands arising in their region and determine how to meet such requirements from available resources remaining after the attack. On July 16 the National Relocation Arc will be activated and the departments will review the actions taken at the regional level and act on those programs that require central programming or direction.

Phase Three is scheduled to be held in September when a central group composed of representatives of the Executive Departments and Agencies will examine the results of the Attack Phase and the Federal Action Phase of the exercise and determine what aspects of our preparedness program need revision, implementation and emphasis during the ensuing year.

I will make another report on OPAL 1958 at an early date.

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CI - 58-44/2

January 13, 1958

The White House

Washington

THE CABINET

OPERATION ALERT, 1958

For information of the Members of the Cabinet and their staffs, attached is a paper prepared by the Director of the Office of Defense Mobilization.

This paper, and its attached draft Program Memorandum describe OPERATION ALERT, 1958 as proposed by ODM with the assistance of the Inter-Agency Planning Group. The exercise this year is planned to occur in three phases, as set forth in the two papers.

The attached documents will form the basis for the discussion of this matter at the coming Cabinet meeting.

Maxwell M. Rabb
Secretary to the Cabinet

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For Information

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Subject: OPERATION ALERT 1958

Discussion: The plans for Operation Alert 1958 have been prepared by the Office of Defense Mobilization, with the assistance of the Inter-Agency Planning Group. The plans take into consideration those matters of major significance identified in Operation Alert 1957 as needing priority attention under an attack situation. These may be summarized as follows:

a. State and local planning action--(the determination, on the basis of their own resources, of the kinds of assistance state and local governments will need from the Federal Government to cope with their state and local situations, and in dealing with each other);

b. State-Federal relations--(utilization of state and local authority, services, and resources; maintenance of law, order, and controls; means of providing assistance to state and local governments within national policies);

c. Emergency management by the Federal Government--(central programming, organizational relations, responsibilities, functions, and lines of authority at national and regional levels).

The exercise will be designed to realistically portray the results of a direct nuclear attack on the United States. The action theme will be to develop, during the simulated period of time when human activity might be reduced to a minimum due to fallout hazards, a blueprint of actions that should be taken as rapidly as the decay of radioactivity in geographical corridors of the country would permit. This will require determinations as to how the situation should be dealt with and evaluations as to the feasibility of the proposed measures for coping with the situation.

For the guidance of state and local governments, an unclassified exercise document will be prepared, containing policy guidance, and a general outline of plans and actions for an attack situation. In order to obtain the most effective results from the state and local exercise, it is recommended that the state governments be asked to summarize at the conclusion of their exercise (1) the excess of significant resources available to them over and above their own requirements, (2) the kinds of Federal assistance in way of resources, services, and controls they will need, (3) the mechanisms presently existing in state and local governments which could be utilized in the administration of Federal assistance, and (4) the preparedness measures which, if taken pre-attack, would have made their post-attack job more manageable.

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In order to focus attention on principal problem areas, the exercise will be conducted in three phases:

May--Attack Phase: State and local civil defense operations dealing with the local attack situations, including Federal field participation, as appropriate.

July--Federal Action Phase: Federal Government operations at relocation sites, examining the validity of States' requirements and determining ways and means to meet demands within current plans and program guidance.

September--Evaluation Phase: A small group, from each agency, having responsibility and authority for emergency plans and operations will be convened at High Point to examine the validity, feasibility and consistency of operational measures taken during the first two phases, and to evaluate the adequacy of current policies and program guidance for meeting an attack situation.

It is recognized that this type of exercise will require certain of the agencies to participate in each of the stages. However, the personnel would not necessarily be the same and it will serve to extend the emergency planning experience to the field operations of the federal agencies.

Attachment: Program Memorandum X-14, January 20, 1958,
Subject: Operation Alert 1958.

ATTACHMENT

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
Washington 25, D. C.

January 20, 1958
PROGRAM MEMORANDUM X-14

TO HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Operation Alert 1958

1. The purpose of "Operation Alert 1958" is to examine the readiness of the nation at local, state and national levels to meet a direct nuclear attack on the United States.

2. Objectives of the exercise are:

A. To improve national readiness by--

(1) Local and state governments evaluating, on the basis of their own resources, their capabilities to cope with the attack situation and determining the kinds of Federal assistance needed and how such assistance would be utilized.

(2) The Federal Government determining its capability to meet demands arising from the attack and examining the adequacy of Federal Guidance and Mobilization Plans to meet the attack situation.

B. To determine what significant preparedness measures, if taken pre-attack, would make the post-attack job more manageable.

C. To train personnel in local, state and federal governments in habits of thinking needed to cope with emergency conditions.

3. The exercise will be conducted within the scope of Mobilization Plans and Federal Guidance (Central Programming) furnished to federal, state and local agencies.

4. The situation on which the exercise is to be based will be a direct nuclear attack on the United States, with tactical warning only.

5. The exercise will be conducted in three phases, as follows:

Phase One--Attack Phase:

Time--May 6-7.

Participation--State and local civil defense organizations and supporting personnel including field personnel of federal agencies, as appropriate.

Activity--State and local civil defense emergency actions, including public participation, damage reporting and assessment, and local and state survival and recovery actions. States to determine the kinds of Federal assistance needed and report any excess of resources over and above their own requirements.

Phase Two--Federal Action Phase:

Time--July 14-18.

Participation--Federal agencies (field, region and departmental).

Activity--Activation of relocation sites at field and region July 14th, and at departmental and agency headquarters July 16th. On July 14-15 field and regional activities will be conducted independently. The validity of States' needs will be examined, as well as ways and means for meeting such needs within current plans and program guidance. On July 16-18 the departmental relocation sites will be in operation and in communication with regional and field offices.

Phase Three--Evaluation Phase:

Time--September 15-16-17.

Participation--A small group, from each agency, having responsibility and authority for emergency plans and operations will be convened at the ODM relocation site along with selected regional representatives.

Activity--Examining the validity, feasibility, and consistency of operational measures and the adequacy of policies and central programming guidance.

6. Guidelines, assumptions and administrative instructions for the exercise will be developed with the assistance of the Inter-Agency Planning Group.

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CA - 58-105

May 14, 1958

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, May 16, 1958

1.	Report on NATO	(Oral)	The Secretary of State
2.	Preliminary Report on Recommendations for Additional Recovery Measures	(Oral)	The Chairman, Council of Economic Advisers
3.	Gifts from Foreign Governments	CP - 58-80	The Secretary of State

Maxwell M. Rabb
Secretary to the Cabinet

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For Action

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By GHC NLE, Date 9-26-77

MINUTES OF CABINET MEETING

May 16, 1958
9:05 A. M. -- 9:50 A. M.

The following were present:

President Eisenhower

VP Nixon
Sec. Dulles
Sec. Anderson
Sec. McElroy
Atty Gen Rogers
PMG Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Stans
Mr. Gordon Gray
Amb. Lodge
Dr. Saulnier

Dr. Milton Eisenhower
Mr. Allen Dulles, CIA
Adm. Strauss, AEC
Gov. Hoegh, FCDA

Gov. Adams
Gen. Persons
Mr. Rabb

Gen. Goodpaster
Mr. Siciliano
Dr. Killian
Dr. Hauge
Gov. Pyle
Mr. Larson
Mr. Morgan
Mrs. Wheaton
Mr. Martin
Col. Schulz
Mr. Robert Gray
Mr. Patterson
Mr. Minnich

Foreign Situation Reports - Sec. Dulles noted briefly that the NATO meeting had been highly satisfactory for showing the uneffectiveness on the NATO countries of the Soviet pressure for a Summit Meeting. NATO members tend only to desire a Summit Meeting should it be able to serve a good purpose. Regarding the French Algerian situation, the Secretary commented that the crux of the problem is the fear of Frenchmen in Algeria that a more moderate government would give concessions which would terminate the privileged status many of them enjoy there.

The Vice President, in reporting on the South American riots during his trip, emphasized that Communist inspiration was evident from the similarity of placards, slogans and techniques in all the areas in question. Particular items of American policy bearing on individual countries could not be considered the major cause. The Vice President believed that the political complaint against the United States for harboring refugee dictators was more important than various economic complaints such as the price of coffee, tariffs, and proposed legislation on lead, zinc, copper, etc. He did not, however, wish to underestimate at all the significance of the latter.

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Cabinet Minutes May 16, 1958 - page 2

The Vice President stressed that the Latin Americans much prefer to be friends of the United States rather than Russia and that the great problem was how we could best cultivate this friendship. He stressed the advent recently of the lower classes into the political scene and the ensuing requirement that American ambassadors and other officials must begin now to broaden their contacts beyond the traditional elite to include university leaders, communications people, group leaders, etc. The United States must not, he said, do anything that would support an impression that it is helping to protect the privileges of a few; instead, we must be dedicated to raising the standard of living of the masses.

Sec. Dulles stated his agreement with the analysis of the problem, then pointed to the difficulty of dealing with it since democracy as we know it will not be instituted by the lower classes as they gain power -- rather they will bring in more of a dictatorship of the masses. In regard to broader contacts, the Secretary noted strictures on ambassadorial activity, hence the need for broader non-official contacts.

The Vice President thought his trip would have effect in dissipating naiveté to Communist influence in these countries. He then stressed the importance of educational exchanges and his hope that our exchange programs could be at least doubled. In response to Sec. Benson's question, he indicated that US business men in South America tend to mingle only with their American associates and Latin American counterparts without going farther afield.

Gift Etiquette (CP 58-80) - Sec. Dulles recalled the problems raised in connection with the gifts presented by King Saud and the absence of any uniform policy throughout the Government, hence the recommendation in this paper for establishing an interdepartmental group to review existing policies and practices of Government agencies and prepare appropriate recommendations and any necessary proposals for legislative action, for subsequent Cabinet consideration.

The President approved this proposal.

Employee Security - The Attorney General called attention to the review being made of the recommendations of the Wright Commission, noted that certain aspects were of primary concern to the NSC, others to the Cabinet, and stated that first consideration ought to be given to those involving the NSC. There was no dissent.

Third Russian Satellite - Dr. Killian commented that it was perhaps most surprising that the Russians had in this instance undertaken a solid scientific effort instead of something spectacular like shooting the moon. He expressed agreement with the Vice President's earlier comment that the Russians seemed to be playing heavily the matter of intellectual accomplishment. With regard to ICBM developments, Dr. Killian stated that this shot confirms indications that the Russians are substantially ahead of us with a delivery capability that we will not have until mid-1959.

Sec. Dulles noted certain indications that the Russians had had some fizzles in recent months, perhaps from trying to shoot the moon. This ability to operate secretly was, he noted, one of the advantages of a

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dictatorship. Mr. Allen Dulles stated that efforts had been made to give wide publicity to what little was known of possible failures.

The President ascertained from Dr. Killian some technical information as to the probable thrust of the Russian rocket. Dr. Killian also noted that if the Russians have miniaturized their instrumentation they may be able to go on to certain projects such as reconnaissance and possible re-entry of the satellite into the earth's atmosphere.

* * * *

The President called attention to the departure from Government of Mr. Rabb, the first Cabinet Secretary, and expressed the Cabinet's gratitude for his dedicated work in this new field of well-organized Cabinet meetings. He concluded with an expression of best wishes of the Cabinet for Mr. Rabb's further successes.

LAM

L. A. Minnich, Jr.

COPIES TO -
Mrs. Whitman (2)✓
Mr. Gray
Mr. Minnich

CABINET PAPER—PRIVILEGED

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RA - 58-105

May 17, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, May 16, 1958:

1. Report on NATO

Information Item Only.

2. Gifts from Foreign Governments CP - 58-80

ACTION:

Cabinet Paper 58-80 was approved by the President.

ADDITIONAL ITEMS:

A. Discussion of the Vice President's Trip

ACTION:

The Cabinet noted with interest the analysis made by the Vice President of the problems of American-Latin American relations, and especially his suggestions that:

1) Presidents and leading officers of American universities and Land Grant Colleges establish closer ties, including personal visits, with men and women in the intellectual life of Latin America;

2) Methods be explored for widening and supporting more effectively the reservoir of firm friendship for the United States in all the Latin American countries.

3) Our educational exchange program with Latin American countries, especially the sending of American teachers, has a particularly great potential.

B. Comments on the Third Sputnik

Information Item Only.

CABINET PAPER

For Action

C. Recommendations of the Personnel Security Advisory Committee Concerning the Report of the Commission on Government Security

ACTION:

The Cabinet noted without objection the statement of the Attorney General that, since some of the PSAC recommendations are within the sphere of the National Security Council, this selected group of recommendations has been referred for appropriate review and comment by the NSC machinery, and that Cabinet consideration of the whole matter will await such review.

D. Departure of the Cabinet Secretary

ACTION:

The President expressed his and the Cabinet's gratitude for the dedicated and pioneering work of the first Secretary to the American Cabinet, and wished him success in his new ventures.

Robert Gray
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

May 14, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, May 16

There is a tremendous interest in the Cabinet at this particular juncture in foreign affairs in general and in Vice President Nixon's trip in particular. Many of the Cabinet people have asked if these items will be listed on the agenda this Friday. As you know, the Cabinet Members always appreciate the opportunity to be informed on foreign policy.

The Vice President did not want to have a formal listing on the agenda for a report on his trip but, of course, he will be glad to talk about his observations if you would ask him to do so.

In deference to his wishes, I have not listed Mr. Nixon on the agenda, but when Secretary Dulles' item on NATO is taken up, remarks by the Vice President would logically follow as part of these general foreign policy matters. In the light of this probability, I have invited Dr. Milton Eisenhower to sit in on the Cabinet meeting, since he cannot have lunch with you on Thursday; he is very pleased with these arrangements.

1. Report on NATO (Secretary Dulles)

Just having returned this week from Copenhagen and Germany, Secretary Dulles is prepared to say a few words of general interest on the recent NATO Foreign Ministers' Meeting. With Algeria and Lebanon equally in the news and on the minds of all, the Secretary will also be prepared to answer for the benefit of the Cabinet other pertinent questions on the general international situation.

Then call on Vice President

~~2. Preliminary Report on Recommendations for Additional Recovery Measures (Dr. Saulnier)~~

~~At the last Cabinet meeting -- of May 2 -- you established an informal and confidential Cabinet group "to give further study to facts bearing on the economic situation and outlook and to develop comprehensive proposals for additional actions (official administrative actions, legislative proposals, and appropriate "personal" actions by Cabinet Officers) that will help promote sustainable economic recovery and to present recommendations (beginning with the Cabinet meeting of May 16) for review and Presidential decision."~~

~~Dr. Saulnier has had at least two meetings of this group and is prepared to present the first of what may be a series of reports for Cabinet and your consideration.~~

3. Gifts from Foreign Governments (Secretary Dulles)

Following the unfortunate incident in State of a few months ago, the Department issued a circular which set forth its own policies with respect to the receiving and retaining by its employees of gifts from foreign governments. Shortly thereafter, the Chairman of the Senate Permanent Subcommittee on Investigations held hearings which emphasized what we had known before: that there is no uniform policy or practice among the several agencies with U. S. employees overseas. Chairman McClellan stated this in a letter to you. The Departments of State and Justice concur that it would be wise to form an *ad hoc* interdepartmental group to find out what present practices are and to propose (by October 1, 1958) ways of making them uniform. (Justice tends to prefer legislation enacted by Congress, since the Constitution specifies that it is Congress which must consent to the retention of gifts. Justice, anticipating the group's work, is already drafting some legislation.)

A brief Cabinet paper has been prepared and circulated and is submitted for Cabinet concurrence and your approval.

OFF-AGENDA ITEMS:

In addition to the listed items and to the probable discussion of the Vice President's trip and foreign affairs in conjunction with item 1, it is anticipated that two other items will be raised, though not listed on the formal agenda:

a. Procedural Statement on the Handling of the Wright Commission Recommendations (Attorney General Rogers)

The Wright Commission issued its report on June 21, 1957. On July 22, 1957 you sent around a memorandum asking the Personnel Security Advisory Committee to receive the comments of the agencies and review the Commission's recommendations "in order to allow for ... subsequent consideration in the Cabinet."

The PSAC sent its report to me on April 4, whereupon we have referred certain sections of it to General Cutler for NSC consideration. Other sections, particularly those concerning the Federal Civilian Employees Security Program, will be submitted to the Commission by the Department of Justice for discussion in the coming weeks. The Attorney General will make a statement to this effect, but does not anticipate substantive discussion at this meeting.

4. Comments on the Third Sputnick (Dr. Killian)

Dr. Killian is now assembling material on the basis of which he will, if the material proves important, make a brief analysis for you and the Cabinet of what this new satellite indicates concerning Soviet capabilities.

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

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CP - 58-82

May 19, 1958

The White House

Washington

THE CABINET

Standards and Procedures for the Utilization of Public Advisory Committees by Government Departments and Agencies

For consideration by the Cabinet, attached is a paper prepared by the Attorney General.

This paper is put forth in fulfillment of the assignment incorporated in Cabinet Record of Action 37, Item 2 (November 16, 1955). If approved, it would serve in place of an Executive Order, such as the draft circulated by the Bureau of the Budget on December 7, 1955 (the agency comments on which should now be reviewed).

The purpose of this paper is to set out in a fashion no more formal yet no less specific than a Cabinet document the principles which should guide all Department and Agency heads in utilizing public advisory committees. The intent is not to close off any avenues of advice to the Executive Branch but rather to ensure that these valuable public groups are employed by the Federal Government with full regard for the Constitutional and statutory responsibilities of the Executive.

It is the wish of the Attorney General to receive written or oral comments on this paper by the close of business Wednesday, May 21, following which the paper may be listed on the Cabinet Agenda for May 23. Comments should be directed to Mr. Harold Healy, Jr., Executive Assistant to the Attorney General (code 197, ext. 299).

In connection with Recommendation 5 herein, attention is called to approved Sub-Cabinet Papers SCP - 1/1 and SCP - 56-3.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED CP - 58-82

Property of the White House—For Authorized Persons Only May 19, 1958

The White House

Washington

THE CABINET

Standards and Procedures for the Utilization of Public Advisory Committees by Government Departments and Agencies

Problem:

Adoption of uniform standards and procedures for the utilization of public advisory committees by Government departments and agencies.

Background:

Since World War I, the Executive Branch has increasingly called upon advisory committees, comprised in whole or in part of members drawn from private life and serving without compensation, for advice in the formulation of policies and programs. Advisory committees serve as a vital means of communication between the public and the Government. The advice and recommendations obtained through advisory committees are of indispensable aid to effective Government operations.

A continuing objective has been to promote the maximum effective use of such committees while avoiding antitrust or conflict of interest problems.

The Department of Justice has from time to time advised other departments and agencies concerning the application of antitrust and conflict of interest laws to public advisory committees. On October 19, 1950, the Deputy Attorney General suggested to the defense agencies five criteria to be followed in the formation and operation of advisory committees composed of industry representatives. These criteria, drawn up over a period of years, had their origin in the early 1920's when Secretary of Commerce Herbert Hoover sought the views of the Attorney General in relation to the utilization of trade associations for consultive purposes.

These same criteria formed the basis of a draft Executive order discussed by Attorney General Brownell at the Cabinet meeting of November 15, 1955. By action taken at this meeting the Attorney General was asked to "Bring together for subsequent Cabinet discussion principles which might provide the basis for greater uniformity of practice in the Executive Branch, without a commitment to any formalization of such principles." (RA-37, November 15, 1955). In order to carry out this directive, the draft Executive order was circularized through the Bureau of the Budget to afford the interested departments and agencies an opportunity to express their views on the proposed criteria.

Meanwhile, extensive hearings on industry advisory groups were held in 1951 and in 1955 by monopoly and antitrust Subcommittees of the House Judiciary Committee. In H. Rept. No. 576, 85th Congress, 1st Session, the Committee on Government Operations estimated that the number of public advisory committees which should be subjected to regulation along the lines set forth in the five criteria was between 1700 and 1800, but that over 50% of those committees were subject to little or no regulation (p. 4).

Legislation (H. R. 7390) has been introduced in the current Congress, which would apply to all public advisory committees standards and procedures similar to those recommended by the Department of Justice, but on a mandatory basis and without provision for any exceptions. This bill has passed the House and is now pending action by the Senate Committee on Government Operations. The Administration has generally opposed the proposed legislation on the ground it is unnecessary and lacking in flexibility.

CABINET PAPER

For Consideration

Recommendation:

In order (i) to minimize antitrust and conflict of interest problems in the use of public advisory committees, (ii) to achieve that result through uniform standards and procedures applicable to all departments and agencies of the Executive Branch, and (iii) to obviate any need for legislation in this field, it is recommended that the following standards and procedures be adopted for the utilization of public advisory committees by all government departments and agencies:

1. (a) All departments and agencies shall in their utilization of public advisory committees be governed, to the extent consistent with law, by the following rules:

(1) Such committees shall be specifically authorized by statute, or the head of the department or agency shall find that such committees are necessary in connection with the performance of certain statutory duties.

(2) The functions of such committees shall be solely advisory, and any determination of action to be taken, based in whole or in part on such advice, shall be made solely by the proper Government official, or officials.

(3) Committee meetings shall be at the call of the Government, and the agenda for the meetings shall be formulated by the Government.

(4) Committee meetings shall be under the chairmanship or co-chairmanship of a full-time salaried Government official.

(5) Comprehensive minutes of each meeting shall be kept, and the Government representative shall certify that such minutes are accurate.

(b) Each public advisory committee which is composed, in whole or in part, of members or representatives of an industry or industries, or portions thereof, shall be, so far as possible in the context of the purpose of the committee, representative of the entire industry or industries, or portions thereof. Such representation shall be accomplished by taking into account such factors as size, location, affiliation, and industrial function of the components represented. Selection of industry members shall, unless otherwise provided by statute, be limited to individuals actively engaged in the industry or industries concerned, except where the department or agency head deems such limitation impracticable for effective committee operation.

2. The head of each department and agency may prescribe additional regulations with respect to advisory committees not inconsistent herewith.

3. As used herein, the term "public advisory committee" means any committee, board, commission, council, conference, panel, task force, or other similar group (including all subcommittees or other subgroups thereof) formed or utilized by any executive department or agency for advice or recommendations which the Government has sought and not composed wholly of United States Government full-time salaried employees.

4. The standards and procedures herein provided shall not apply to any advisory committee for which the Congress has by statute specified the purpose, composition, and conduct (such as selection of chairman and holding of meetings) unless the Congress has specifically given the President the power to prescribe rules for such committee.

5. No public advisory committee shall be exempted from compliance with the standards or procedures enumerated above except by Presidential action upon the request of the head of the agency concerned. Each such request shall include a statement setting forth (a) the reasons for the request, (b) the purposes and activities of the committee, and (c) the names of the members of the committee and their business or professional affiliation. Each exemption so approved shall be filed with the Secretary of the Cabinet and, at the end of each succeeding six-month period from the date of such filing, there shall be filed with the Secretary of the Cabinet a statement showing all changes that have occurred in the activities of the committee and in the business or professional affiliation of its members.

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CP - 58-80

May 14, 1958

The White House
Washington

THE CABINET

Gifts from Foreign Governments

For consideration of the Cabinet, attached is a paper which will be presented by the Secretary of State.

This paper, which bears the concurrence of the Attorney General, proposes the establishment of an ad hoc interdepartmental group to recommend actions to help insure consistent policy and practice with respect to this problem throughout the Executive Branch.

The concurrence of the Cabinet and the approval of the President are sought for the recommendations in the attached paper.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED CP - 58-80

Property of the White House—For Authorized Persons Only May 14, 1958

The White House

Washington

THE CABINET

Gifts From Foreign Governments

Problem

To determine how a uniform policy and uniform procedures may best be achieved for the disposition of the various categories of gifts which may be tendered by foreign governments to officers of the Executive Branch of the United States Government.

Discussion

The Constitution prohibits officers of the United States from accepting gifts "of any kind whatever" from foreign governments "without the Consent of the Congress."

An 1881 statute provides that any such gift "or other thing" shall be tendered through the Department of State and shall not be delivered to the recipient unless authorized by Act of Congress. This statute is applicable to Government Officers but not to members of their families.

In 1902 the Acting Attorney General of the United States rendered an opinion to the Secretary of State that "even a simple remembrance of courtesy... like the photographs in this case" falls within the Constitutional prohibition (24 Op. Att. Gen. 116, 117). A fourth class clerk in the Post Office Department is an officer of the United States within the meaning of this prohibition (27 Op. Att. Gen. 219).

The policy of the Department of State regarding such gifts has been recently set forth in Departmental Circular 277 of November 13, 1957 (which, with its attachment, forms Annex A to this paper).

This policy statement specifies that "the ... provisions of the law and regulations are to be interpreted with due regard for the principle 'de minimis non curat lex' - the law does not concern itself with things which would universally be regarded as too unimportant to come within its scope. Accordingly, where there is no indication of improper interest, and refusal or return would be offensive and might injure good international relations, such a gift may be received. If it has only minor intrinsic value, such as a photograph or other like memento or souvenir, it may be retained."

The Chairman of the Committee on Government Operations of the U. S. Senate has written the President stating that "there should be unanimity of procedure and policy throughout the Executive Branch, and I recommend for your consideration the promulgation of an Executive Directive in order to guide the agencies in their application of the Constitutional provision."

No thorough study has been made of the policies, regulations or practices which may be in effect in other federal agencies concerning the tender of gifts by foreign governments to their respective officers and employees or members of their families.

A thorough interdepartmental study may reveal it to be desirable that the Congress enact legislation, pursuant to the original Constitutional reference, which would assist in bringing about consistency in practice throughout the Executive Branch.

Recommendations

1. That an interdepartmental study group be established to be chaired by the representative of the Department of State, and to include among its membership representatives of the Departments of Treasury, Defense, Justice, Agriculture, Commerce, of the Special Assistant to the President for Personnel Management, and of the Bureau of the Budget.

2. That the group obtain full information on the policies and practices of the Federal Agencies most frequently affected by this problem, analyze this information from the point of view of consistency and legality, and prepare appropriate recommendations, including, if needed, proposals for legislative action, for Cabinet consideration.

3. That the group finish its work by October 1, 1958.

Concurrences:

The Attorney General

Annex A

Department Circular 277 of November 13, 1957

CABINET PAPER—PRIVILEGED

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ANNEX A

DEPARTMENT CIRCULAR NO. 277
November 13, 1957

SUBJECT: Acceptance of Gifts from Foreign Governments or Foreign Government Officials

1. There is attached to this circular a compilation of the applicable law and regulations pertaining to gifts from foreign governments, or from officials thereof acting in their official capacity, to members of the Department and of the Foreign Service. This circular constitutes a statement of policy designed to afford guidance respecting the Department's interpretation of these provisions.

2. Where under the circumstances there is any indication whatsoever that such a gift was given with any improper intent, such as to gain influence, it should not be accepted. Where delivery of such a gift was made under circumstances rendering refusal impossible, the gift should be promptly returned to the donor.

3. Subject to the foregoing, it is the view of the Department that the following provisions of the law and regulations are to be interpreted with due regard for the principal "de minimis non curat lex" - the law does not concern itself with things which would universally be regarded as too unimportant to come within its scope. Accordingly, where there is no indication of improper interest, and refusal or return would be offensive and might injure good international relations, such a gift may be received. If it has only minor intrinsic value, such as a photograph or other like memento or souvenir, it may be retained. In case of any question or doubt, a ruling should be obtained from the Office of Protocol.

4. If gifts accepted from foreign governments or officials go beyond the foregoing, they should be delivered into the custody of the Department of State, through the Office of Protocol, which will then determine whether such gifts shall be returned to the donees or kept by the Department for later disposition in accordance with law. Return will not be permitted in the case of gifts of such nature or value that, irrespective of the actual intent of the giver, it could reasonably be inferred by anyone that the gift would, in fact, establish influence or constitute an added payment for services already included in the employment relationship of the recipient to the United States Government.

5. Gifts to close relatives of members of the Department or the Foreign Service should be treated in the same way as gifts to such members.

6. In general, members of the Department and of the Foreign Service shall, within the bounds of courtesy and good judgment, discourage the bestowal of gifts by foreign governments or officials upon themselves or their close relatives. Most foreign governments already understand that members of the Department and the Foreign Service do not accept foreign decorations and do not attempt to give them. The practice of politely and firmly declining decorations if offered should be continued.

7. This circular is intended merely to clarify existing regulations and should not be considered as repealing any of them.

Attachment:

Compilation of Law and Regulations
Pertaining to Acceptance of Gifts
from Foreign Governments or Officials

(S)

State - FD, Wash., D. C.

CABINET PAPER

For Consideration

LAW AND REGULATIONS

Article 1, Section 9, Clause 8 of the Constitution reads as follows:

> "No Title of Nobility shall be granted by the United States: and no Person holding any Office of Profit or Trust under them, shall, without the Consent of the Congress, accept of any present, Emolument, Office, or Title, of any kind whatever, from any King, Prince, or foreign State."

The Act of January 31, 1881, 5 U.S.C. 115, provides:

> "Any present, decoration, or other thing, which shall be conferred or presented by any foreign government to any officer of the United States, civil, naval, or military, shall be tendered through the Department of State, and not to the individual in person, but such present, decoration, or other thing shall not be delivered by the Department of State unless so authorized by act of Congress."

By an Executive Order dated April 13, 1954, the President directed that after that date no request should be submitted for the consent of Congress for anyone, other than retired personnel, to accept gifts, decorations, awards or any other thing tendered to them by a foreign Government.

It is provided in 5 U.S.C., Section 115a that:

> "The Secretary of State is directed to furnish to the Seventy-fifth Congress and to each alternate Congress thereafter a list of those retired officers or employees of the United States for whom the Department of State under the provisions of section 115 of this title, is holding decorations, orders, medals, or presents tendered them by foreign governments."

The acceptance of gifts by officers and employees of the Foreign Service is governed by Section 1002 of the Foreign Service Act of 1946, as amended (22 U.S.C. 804), providing:

> "An Officer or employee of the Service shall not ask or, without the consent of the Congress, receive, for himself or any other person, any present, emolument, pecuniary favor, office, or title from any foreign government. A chief of mission or other principal officer may, however, under such regulations as the President may prescribe, accept gifts made to the United States or to any political subdivision thereof by the Government to which he is accredited or from which he holds an exequatur."

It is further provided in 1 FSM IV 625.1 and 625.2, as follows:

> "625.1 No American employee shall accept any decoration, gift or emolument of any kind from any foreign sovereign government, or from any state, province, or municipality of any foreign government, or from any governmental or semi-governmental agency, or from any international organization of states, notwithstanding the fact that the United States is a participant in such international organization. Moreover, to assure absolute equality and uniformity in this regard, no American employee of the Foreign Service shall ever wear any foreign decoration while serving in such capacity.
>
> "625.2 No American employee, nor any person on behalf of such employee, shall petition the Congress of the United States for legislative permission to receive any foreign decoration, gift or emolument described in section 625.1."

It is also provided in pertinent part in Section 1021(a) of the Foreign Service Act of 1946, as amended (22 U.S.C. 809):

> "The Secretary [of State] may accept on behalf of the United States gifts made unconditionally by will or otherwise for the benefit of the [Foreign] Service or for the carrying out of any of its Functions. * * *"

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 58-80

May 16, 1958

The White House

Washington

THE CABINET

Gifts from Foreign Governments

The attached approved paper is circulated for action by the Secretary of State and those agencies concerned, and for information to the other members of the Cabinet.

This paper was approved by the President at the Cabinet meeting of Friday, May 16, 1958 (RA - 58-105, Item 2).

Robert K. Gray
Secretary to the Cabinet

CABINET PAPER

For Action

CABINET PAPER—PRIVILEGED CP - 58-80

Property of the White House—For Authorized Persons Only May 16 ,1958

The White House

Washington

THE CABINET

Gifts From Foreign Governments

Problem

To determine how a uniform policy and uniform procedures may best be achieved for the disposition of the various categories of gifts which may be tendered by foreign governments to officers of the Executive Branch of the United States Government.

Discussion

The Constitution prohibits officers of the United States from accepting gifts "of any kind whatever" from foreign governments "without the Consent of the Congress."

An 1881 statute provides that any such gift "or other thing" shall be tendered through the Department of State and shall not be delivered to the recipient unless authorized by Act of Congress. This statute is applicable to Government Officers but not to members of their families.

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In 1902 the Acting Attorney General of the United States rendered an opinion to the Secretary of State that "even a simple remembrance of courtesy... like the photographs in this case" falls within the Constitutional prohibition (24 Op. Att. Gen. 116, 117). A fourth class clerk in the Post Office Department is an officer of the United States within the meaning of this prohibition (27 Op. Att. Gen. 219).

The policy of the Department of State regarding such gifts has been recently set forth in Departmental Circular 277 of November 13, 1957 (which, with its attachment, forms Annex A to this paper).

This policy statement specifies that "the ... provisions of the law and regulations are to be interpreted with due regard for the principle '*de minimis non curat lex*' - the law does not concern itself with things which would universally be regarded as too unimportant to come within its scope. Accordingly, where there is no indication of improper interest, and refusal or return would be offensive and might injure good international relations, such a gift may be received. If it has only minor intrinsic value, such as a photograph or other like memento or souvenir, it may be retained."

The Chairman of the Committee on Government Operations of the U. S. Senate has written the President stating that "there should be unanimity of procedure and policy throughout the Executive Branch, and I recommend for your consideration the promulgation of an Executive Directive in order to guide the agencies in their application of the Constitutional provision."

No thorough study has been made of the policies, regulations or practices which may be in effect in other federal agencies concerning the tender of gifts by foreign governments to their respective officers and employees or members of their families.

A thorough interdepartmental study may reveal it to be desirable that the Congress enact legislation, pursuant to the original Constitutional reference, which would assist in bringing about consistency in practice throughout the Executive Branch.

Recommendations

1. That an interdepartmental study group be established to be chaired by the representative of the Department of State, and to include among its membership representatives of the Departments of Treasury, Defense, Justice, Agriculture, Commerce, of the Special Assistant to the President for Personnel Management, and of the Bureau of the Budget.

2. That the group obtain full information on the policies and practices of the Federal Agencies most frequently affected by this problem, analyze this information from the point of view of consistency and legality, and prepare appropriate recommendations, including, if needed, proposals for legislative action, for Cabinet consideration.

3. That the group finish its work by October 1, 1958.

Concurrences:

The Attorney General

Annex A

Department Circular 277 of November 13, 1957

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ANNEX A

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November 13, 1957

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2. Where under the circumstances there is any indication whatsoever that such a gift was given with any improper intent, such as to gain influence, it should not be accepted. Where delivery of such a gift was made under circumstances rendering refusal impossible, the gift should be promptly returned to the donor.

3. Subject to the foregoing, it is the view of the Department that the following provisions of the law and regulations are to be interpreted with due regard for the principal "de minimis non curat lex" - the law does not concern itself with things which would universally be regarded as too unimportant to come within its scope. Accordingly, where there is no indication of improper interest, and refusal or return would be offensive and might injure good international relations, such a gift may be received. If it has only minor intrinsic value, such as a photograph or other like memento or souvenir, it may be retained. In case of any question or doubt, a ruling should be obtained from the Office of Protocol.

4. If gifts accepted from foreign governments or officials go beyond the foregoing, they should be delivered into the custody of the Department of State, through the Office of Protocol, which will then determine whether such gifts shall be returned to the donees or kept by the Department for later disposition in accordance with law. Return will not be permitted in the case of gifts of such nature or value that, irrespective of the actual intent of the giver, it could reasonably be inferred by anyone that the gift would, in fact, establish influence or constitute an added payment for services already included in the employment relationship of the recipient to the United States Government.

5. Gifts to close relatives of members of the Department or the Foreign Service should be treated in the same way as gifts to such members.

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from Foreign Governments or Officials

(S)

State - FD, Wash., D. C.

CABINET PAPER

For Action

LAW AND REGULATIONS

Article 1, Section 9, Clause 8 of the Constitution reads as follows:

> "No Title of Nobility shall be granted by the United States: and no Person holding any Office of Profit or Trust under them, shall, without the Consent of the Congress, accept of any present, Emolument, Office, or Title, of any kind whatever, from any King, Prince, or foreign State."

The Act of January 31, 1881, 5 U.S.C. 115, provides:

> "Any present, decoration, or other thing, which shall be conferred or presented by any foreign government to any officer of the United States, civil, naval, or military, shall be tendered through the Department of State, and not to the individual in person, but such present, decoration, or other thing shall not be delivered by the Department of State unless so authorized by act of Congress."

By an Executive Order dated April 13, 1954, the President directed that after that date no request should be submitted for the consent of Congress for anyone, other than retired personnel, to accept gifts, decorations, awards or any other thing tendered to them by a foreign Government.

It is provided in 5 U.S.C., Section 115a that:

> "The Secretary of State is directed to furnish to the Seventy-fifth Congress and to each alternate Congress thereafter a list of those retired officers or employees of the United States for whom the Department of State under the provisions of section 115 of this title, is holding decorations, orders, medals, or presents tendered them by foreign governments."

The acceptance of gifts by officers and employees of the Foreign Service is governed by Section 1002 of the Foreign Service Act of 1946, as amended (22 U.S.C. 804), providing:

> "An Officer or employee of the Service shall not ask or, without the consent of the Congress, receive, for himself or any other person, any present, emolument, pecuniary favor, office, or title from any foreign government. A chief of mission or other principal officer may, however, under such regulations as the President may prescribe, accept gifts made to the United States or to any political subdivision thereof by the Government to which he is accredited or from which he holds an exequatur."

It is further provided in 1 FSM IV 625.1 and 625.2, as follows:

> "625.1 No American employee shall accept any decoration, gift or emolument of any kind from any foreign sovereign government, or from any state, province, or municipality of any foreign government, or from any governmental or semi-governmental agency, or from any international organization of states, notwithstanding the fact that the United States is a participant in such international organization. Moreover, to assure absolute equality and uniformity in this regard, no American employee of the Foreign Service shall ever wear any foreign decoration while serving in such capacity.
>
> "625.2 No American employee, nor any person on behalf of such employee, shall petition the Congress of the United States for legislative permission to receive any foreign decoration, gift or emolument described in section 625.1."

It is also provided in pertinent part in Section 1021(a) of the Foreign Service Act of 1946, as amended (22 U.S.C. 809):

> "The Secretary [of State] may accept on behalf of the United States gifts made unconditionally by will or otherwise for the benefit of the [Foreign] Service or for the carrying out of any of its Functions. * * *"

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CA - 58-106

May 22, 1958

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, May 23, 1958

1.	Report on the Governors' Conference	(Oral)	The Secretary of the Treasury The Honorable Howard Pyle
2.	Review of the FY 1960 Budget	(Oral)	The Director, Bureau of the Budget

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Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

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E.O. 11652, Section 1
By DHe NLE, Date 8-11-76

MINUTES OF CABINET MEETING

May 23, 1958
9:00 A. M. -- 10:15 A. M.

The following were present:

President Eisenhower

EXECUTIVE SESSION

Vice President Nixon
Sec. Dulles
Sec. Anderson
Atty Gen Rogers
PMG Summerfield
Sec. Benson
Sec. Weeks
Sec. Folsom

Director Stans

Gov. Adams

REGULAR SESSION

Under Sec. Quarles
(for Sec. McElroy)
Under Sec. Chilson
(for Sec. Seaton)
Under Sec. O'Connell
(for Sec. Mitchell
Dr. Waterman, National Science Foundation
Mr. Floete, GSA
Mr. Whittier, VA
Mr. George Allen, USIA
Adm. Strauss, AEC
Gov. Hoegh, FCDA
Mr. Merriam, Budget
Mr. Cole, HHFA
Dr. Saulnier, CEA

Gen. Persons
Gen. Goodpaster
Dr. Killian
Gen. Bragdon
Gen. Cutler
Mr. Larson
Dr. Hauge (in part)
Mr. McCabe
Mr. Siciliano
Mr. Jack Anderson
Mrs. Wheaton
Gov. Pyle
Mr. Robert Gray
Mr. Patterson
Mr. Minnich

Governors Conference - Gov. Pyle reported on the Miami meeting of the Governors Conference and its favorable reception of the Task Force proposals for transferring to the States larger responsibilities in specified areas. The Governors seemed reserved with regard to vocational education, sewage disposal, mostly because they wished adequate time for an

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By DHC NLE, Date 8-11-76
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efficient transfer of the function without loss of activity, and because they wished a more precise formula for tax transfers appropriate to the costs of the activities to be assumed.

Gov. Pyle believed the Joint Task Force would in its continuing effort be able to revise the tax transfer proposal to an acceptable degree. He praised particularly the fact that this Task Force is now an established mechanism for useful liaison. He concluded his presentation by recounting the election of Governor Collins as next year's Chairman, much to the disappointment of Governor Meyner.

Gov. Hoegh reported that the Conference had endorsed the pending Civil Defense legislation, the idea of a Civil Defense plan, a shelter program, and the program for insuring continuity of government in a disaster.

The President commented on the tax difficulty, and Sec. Anderson noted the proposal being studied by the Justice Department that would perhaps enable achievement of the proper ratio to population of taxes turned back.

Both the President and Gov. Pyle saw great merit in this project as one which might slow down the tendency toward Government centralization.

Sec. Benson hoped an extra push could be given to the legislation pertaining to State participation in drought disasters and the President directed Gen. Persons to do whatever possible.

Budget Situation - Mr. Stans made a presentation of the Budget picture through 1962 on the basis of the following assumptions: (1) that economic recovery would begin in the third quarter and that full recovery would be achieved by the end of 1959; (2) that there would be no further anti-recession spending; (3) that prices and wages would be stable; (4) that there would be no tax change of any magnitude; (5) that the international situation would be stable; and (6) that self-sustaining trust funds would actually be self-sustaining (especially the Highway Fund).

On the basis of agency figures presently at hand, Mr. Stans forecast expenditures of \$80 billion for 1959, \$81.8 billion for 1960, \$84.6 billion for 1961, and \$86.2 billion for 1962. He recognized that these figures are subject to much change especially in regard to Defense projections. He noted some of the more significant items in agency programs.

Mr. Stans then reported the President's directive of several days before that Budget should review these figures with the objective of getting below \$80 billion, at least, and as far below as possible -- this with regard to 1960. Consequently, he said, the 1960 budget policy would be based on the following: (1) no new programs except those that the President personally approved to fulfill a critical need; (2) no further anti-recession spending proposals (should further measures become necessary, they would be handled separately from this budgetary formulation); (3) no increases for programs that are subject to control; (4) continuation of legislative recommendations made this year aimed at economizing; (5) renewal of the

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By GHC NLE, Date 8-11-76

present user charges proposal; and (6) maintenance of public works at the 1959 level.

The President forecast a new "economy push" by the Congress sometime during the period under discussion and he feared that when it came it could cause the Defense budget to be cut too far, to the detriment of the Nation. He felt that these projected budgets had to be cut, otherwise great deficits would result, giving an inevitable push towards socialism. Hence, he directed that these policies be applied to all agencies without exception.

The President focussed on the projected $53.7 billion for national security, exclaiming, "How far do we have to go before we convince Russia!" He asserted that the real battle is in the field of economics and trade, that too much emphasis is being put on merely neutralizing Russian power -- a very negative approach. He said that the Nation had to take a positive approach and that putting $53.7 billion into just a police force was an approach not nearly good enough.

Sec. Benson expressed hearty concurrence in these views, for he felt that deficits would ruin the Nation's defensive strength. He cited particularly the expensive agricultural programs and his renewed hope that legislation could be obtained to enable the Administration to bring agricultural programs under greater control.

On the President's invitation to him to comment, Sec. Anderson focussed on the possibility of inflation and the improbability of maintaining stable prices. The President agreed but felt that some assumption had to be made for planning purposes even though all of the figures would actually be different. The President also recalled Charlie Wilson's concern with the additional $2-1/2 billion required because of inflation for things already under contract. Sec. Anderson then emphasized how little would be the weekly sum received by citizens should a general 10% tax cut be put through.

The President concluded the discussion and the meeting by recalling some severe criticism that had been made of his New York speech to the effect that he had dealt too lightly with the subjects of international trade and mutual security.

Lam

L. A. Minnich, Jr.

COPIES TO:
Mrs. Whitman (2) ✓
Mr. Gray
Mr. Minnich

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THE WHITE HOUSE
WASHINGTON

(From rough notes)

Part of President's remarks at the conclusion of Mr. Stans' budget presentation. Cabinet meeting of May 23, 1958:

"53.7 billion dollars for defense and 'other security programs': how far do we have to go before we convince the USSR that it is folly to attack us? I think we have gone beyond that point now. If we keep on this way we will not have the money or resources to wage the real kind of international battle which the Secretary of State points out: trade and assistance and so forth. We must do things that are positive and if we do not do positive things we are not going to win. 53.7 billion dollars for 'police forces' is not 'positive'."

RA - 58-106

May 28, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the regular session of the Cabinet on Friday, May 23, 1958:

1. Report on the Governors' Conference

ACTION:

a) The Cabinet noted the remarks by Messrs. Anderson, Pyle and Hoegh (see the Governors' policy statement attached) and especially the statement by the President that one of the greatest values to accrue from this undertaking will be the creation of a climate of opinion which will aid in reversing the trend toward highly centralized Federal programs involving a minimum of State participation.

b) The Deputy Assistant to the President will consult with the Secretary of Agriculture to consider further steps which could be taken to aid the passage of the Administration's legislative proposal for sharing the responsibilities of disaster relief.

2. Review of the FY 1960 Budget

ACTION:

a) Taking into account his convictions that

i - there will be inevitable reaction against high Federal spending,

ii - notwithstanding heavy Defense expenditures, funds and resources must also be dedicated to positive programs in the real international "battle" of economic development and trade,

iii - the Federal Government must cut down the indicated heavy rate of future spending if it is not to end up with cheap money and socialism, the President reaffirmed to the Cabinet and agency heads the instruction he has given to the Director of the Bureau of the Budget: that the Bureau is to re-examine all the department and agency preliminary estimates for FY 1960 appropriations, and is to reduce the total FY 1960 planning amount as far as possible below $80 billion.

b) The following policy criteria are to be followed by the Director of the Bureau of the Budget in making this re-examination:

i - No new programs or activities, except those approved specifically by the President for immediate, critical national needs.

ii - No anti-recession spending proposals.

iii - No increases over the presently approved level in going programs, except for uncontrollable workload factors.

iv - Continuation of legislative proposals recommended by the Administration this year and not enacted.

v - Renewal of this year's proposals to apply user charges and to reduce spending for certain programs.

vi - Total budget expenditures for civil public works at the 1959 level or as close thereto as practicable.

c) If events prior to the completion of the FY 1960 budget require reconsideration of the above criteria, any resulting new programs or increased expenditures which are approved by the President will be treated as specific "add-ons" to the planning amount specified in (a) above.

d) Each Department and Agency head is to give this task his personal support so that the President's objectives can be realized.

Robert Gray
Secretary to the Cabinet

Approved by the President
May 28, 1958

POLICY STATEMENT ON FEDERAL-STATE RELATIONS

Since its inception fifty years ago the Governors' Conference has had a primary interest in the changing problems of the dynamic relationship between the national and state governments. At our last Annual Meeting in June, 1957, we accepted the invitation of the President of the United States to join in establishing an action program that would result in specific recommendations designed to strengthen our American system of government. The Governors'' Conference, assembled in annual session at Bal Harbour, Florida, May 18-21, 1958, has reviewed and discussed in detail the initial report of this Joint Federal-State Action Committee.

The progress reflected by the unanimous agreements in this report is an encouraging evidence of the value of such a formal agency for the exchange of views, promotion of understanding and definition of proper roles in solving the problems of government in our nation. We strongly commend the dedicated efforts of our representatives and of the federal representatives and urge the continuation of the work of this Joint Committee. In its future deliberations the Committee should broaden its scopt not only to include specific functions that might be wholly assumed by state governments but also to pay particular attention to a continuing analysis and review of the entire intergovernmental mechanism, including cooperative regional state action, towards the end that its deficiencies may be remedied and our federal-state relations strengthened and improved.

Progress Report Number One of the Joint Committee contains specific Recommendations for Action. Those three which recommend new or increased effort by the states in areas of governmental activity which will be for some time federal-state-local responsibilities should be implemented at the state level at the earliest possible date. The recommendations which would result in assumption by the states of complete administrative and financial responsibilities for functions now a joint federal-state responsibility should be implemented only on the following bases:

1. that adequate time be allowed for adjustment through a practicable procedure at both levels to insure that there is no impairment of the programs, and

2. that modification of the tax relinquishment recommendation be made by the Joint Committee to insure that the revenue source made available to each state is substantially equivalent to the costs of the functions to be assumed.

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POLICY STATEMENT ON FEDERAL-STATE RELATIONS

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CABINET PAPER

For Action

THE WHITE HOUSE
WASHINGTON

May 26, 1958

MEMORANDUM FOR THE PRESIDENT

FROM: Robert Gray Robert Gray

Attached is the draft Record of Action from the Cabinet meeting of May 23.

The phrasing of Item 1 has the concurrence of Secretary Anderson and of Messrs. Pyle, McCabe, Stambaugh and Stans. Item 2 has the concurrence of Mr. Stans.

If there is any further guidance you would wish to give before this is given its usual (limited) Cabinet distribution, I would be happy to receive it. Cabinet matters are uniquely yours and as I start my new duties, I am anxious to reflect your personal wishes.

The attached draft has also been approved by Governor Adams.

[First time this was done - i.e. personal DDE approval of the Cabinet Record of Action]

RA - 58-106

May 28, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the regular session of the Cabinet on Friday, May 23, 1958:

1. Report on the Governors' Conference

ACTION:

a) The Cabinet noted the remarks by Messrs. Anderson, Pyle and Hoegh (see the Governors' policy statement attached) and especially the statement by the President that one of the greatest values to accrue from this undertaking will be the creation of a climate of opinion which will aid in reversing the trend toward highly centralized Federal programs involving a minimum of State participation.

b) The Deputy Assistant to the President will consult with the Secretary of Agriculture to consider further steps which could be taken to aid the passage of the Administration's legislative proposal for sharing the responsibilities of disaster relief.

2. Review of the FY 1960 Budget

ACTION:

a) Taking into account his convictions that

i - there will be inevitable reaction against high Federal spending,

ii - notwithstanding heavy Defense expenditures, funds and resources must also be dedicated to positive programs in the real international "battle" of economic development and trade,

iii - the Federal Government must cut down the indicated heavy rate of future spending if it is not to end up with cheap money and socialism,

THE WHITE HOUSE
WASHINGTON

May 22, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, May 23

In order to allow time for discussion of item number 2, the agenda has been purposely limited.

1. Report on the Governors' Conference (Secretary Anderson and Howard Pyle)

Having just returned last night from the Conference of State Governors in Miami, Messrs. Anderson and Pyle are prepared to give you and the Cabinet a summary report on the outcome of the Conference with respect to many items of general Cabinet interest. This report will be particularly timely in view of your submission to the Congress this week of the Federal-State legislation.

Governor Hoegh may add some observations concerning the civil defense discussions at the Conference.

PRESENTATION TIME: 15 minutes

2. Review of the FY 1960 Budget (Mr. Stans)

Mr. Stans several weeks ago requested Cabinet time for an important discussion of the FY 1960 budget as it is now shaping up. This discussion is appropriate in view of his meeting with you yesterday.

Mr. Stans will use charts in his presentation.

PRESENTATION TIME: 25 minutes -- followed by discussion

Robert Gray
Robert Gray
Secretary to the Cabinet

1960 BUDGET POLICY

For Determining Agency Planning Figures

---

1. No new programs or activities, except those approved specifically by the President for immediate, critical national needs

2. No anti-recession spending proposals

3. No increases over presently approved level in going programs, except for uncontrollable workload factors

4. Continuation of legislative proposals recommended by Administration this year and not enacted

5. Renewal of this year's proposals to apply user charges and to reduce spending for certain programs

6. Total budget expenditures for civil public works at the 1959 level or as close thereto as practicable

[copy of Director Stans' chart]

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CA - 58-107

June 4, 1958

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, June 6, 1958

1.	A Federal Aviation Agency	(Oral)	The Special Assistant to the President for Aviation Matters
2.	Social Security Legislation	(Oral)	The Secretary of Health, Education and Welfare
3.	The Federal Action Phase of OPERATION ALERT, 1958	(CI - 58-44/2)	The Director, Office of Defense Mobilization
4.	Letter to Heads of Agencies on Management-Employee Relations	(Oral)	The Special Assistant to the President for Personnel Management

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

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E.O. 11652, Section 1

By GHC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

June 6, 1958
9:00 A. M. -- 10:10 A. M.

The following were present:

President Eisenhower

Under Sec. Herter
(for Sec. Dulles)
Under Sec. Scribner
(for Sec. Anderson)
Deputy Sec. Quarles
(for Sec. McElroy)
Atty Gen Rogers
PMG Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Under Sec. O'Connell
(for Sec. Mitchell)
Sec. Folsom

Mr. Merriam
(for Director Stans)
Mr. Gordon Gray
Amb. Lodge
Dr. Saulnier

Mr. Ellsworth, CSC

Gov. Adams
Gen. Persons
Mr. Robert Gray

Mr. Siciliano
Dr. Killian
Gen. Quesada
(and Fordyce Luikart)
Mr. Morgan
Mr. McCabe
Mr. Larson
Gov. Pyle
Mr. Anderson, in part
Mr. Martin
Dr. Hauge
Mr. McPhee
Capt. Aurand
Gen. Goodpaster
Mr. Patterson
Mr. Minnich

The President opened the meeting by noting an hour and a half that he had just spent "doing a little bit of electioneering for the Republican Party", and how so many of the group of young Republican Congressmen seemed opposed to the Reciprocal Trade bill.

Federal Aviation Agency - Gen. Quesada recounted the Administration's long-range program in this regard, stated that the Airways Modernization Board is successfully in being and making progress on technical problems, and pointed out how the Administration had heretofore planned to submit draft legislation to the Congress next January for establishing a Federal Aviation Agency.

Gen. Quesada then noted the urgency that has come upon this problem as a result of recent crashes, with the consequence that legislation has already

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been introduced in Congress by interested Members. With amendments, he believed, this bill could adequately serve the President's objectives and he listed some six items that would require change principally to insure that the agency reported to the President rather than to the Congress and that provision would be made for military participation in it. He referred to certain Defense functions like communications and flight facilities that might be transferred to the new agency provided a guarantee of service to the military agencies could be made, since the Defense Department is dependent on such service.

Secretary Weeks stated that this organizational change is a classic exception -- because of the division of functions between civilian and military organizations -- to his principle that it is not desirable to pull a number of bureaus out of several different departments to constitute a new agency reporting to the President. Sec. Quarles appreciated that the change would require great adjustments within the Defense Department but that the Department thinks the change is a wise one.

The President recalled that in coming to an agreement on this a few days earlier everyone had agreed that the first objective was to get the agency established, after which various difficulties could be worked out by administrative regulations as they appear.

Sec. Benson set forth his vigorous opposition to a similar move to establish the REA as a new independent agency.

Social Security Legislation - Sec. Folsom reported that Committee hearings had now been scheduled for consideration of various measures in this field, including compulsory hospital insurance for elderly people and an increase in benefits for those in the old age security insurance system. Regarding the latter, he stated that the Department had been awaiting the report of a Committee, composed of Arthur Burns and others, set up under statutory provision to review the adequacy of existing benefit payments. Preliminary evidence showed that those who had retired some years ago are experiencing great difficulty with recent increases in the cost of living since their payments are based on earnings at the lower levels of years gone by. He stated the Department's opposition to another increase of the payroll tax, yet the Department desired above all not to jeopardize the fiscal soundness of the Trust Fund. He therefore saw a need for increasing the tax contributions should benefits be raised.

Mr. Folsom then described a proposal under consideration in HEW for an 8% increase in payments only to those already retired -- for future retirees the situation might be met temporarily by raising the wage base on which taxes are paid to $4800. The wage base change would, incidentally, also be sufficient to finance the higher benefits for those already retired. Mr. Folsom concluded by stating that he believed the Congressional situation and the need of retirees to be such that some limited action must be taken in advance of completion of the statutory study now started.

The President's first comment was that an increase in payments would be an added inflationary pressure, whereas the fundamental need was to limit inflation and thus prevent the breakdown of all pension systems. He saw

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E.O. 11652, Section 1

By DHC NLE, Date 8-11-76

merit in enlisting pensioners in the cause of stable and sound fiscal position. Mr. Folsom concurred, then repeated the immediate problem of those who are unable to supplement inadequate pensions. Mr. Scribner took note of the similar problem besetting people who must live on savings without benefit of social security.

Mr. Merriam stated Budget's hope that any changes in the system would come from recommendations of the Advisory Council. He believed it to the Administration's advantage to await the work of the Council as the surest means of avoiding jeopardizing the system. He questioned whether Congress would take any action in view of the proximity of adjournment.

The President concluded the discussion by noting that insurance companies had long paid strictly on the basis of a fixed dollar amount, by recognizing the merit of the Folsom proposal in terms of justice since workers had a basis for assuming that their lifelong payments to social security would provide a certain standard of living after retirement, and by noting again that an increase would be a great additional pressure towards inflation -- a danger that the United States must be watching closely for years to come.

Operation Alert 1958 (CI 58-44/2) - Mr. Gray outlined the purpose of this Exercise, particularly in terms of evaluating the capability of all levels of government to operate following an attack and to make proper provision for allocation of remaining resources. He stated that damage analyses were under development presently so as to be available for the first time for the "allocations" phase of an Exercise. He concluded by stressing again the need for the earnest participation of all the agencies involved.

The President requested that particular attention be made in analyzing resources as to the emergency capability and role of the railroads in the transportation system. Study of this might be helpful, the President believed, in connection with the handling of present railroad problems. Mr. Gray promised to have it done.

The President expressed his continuing deep interest in these Exercises and his expectation that all senior officials would take an active role in this Alert, even though some department heads might have to forego visiting relocation sites. He urged that department heads hold their outside engagements to the very minimum during the July 16-18 period.

Employee Relations - Mr. Siciliano called attention to a memorandum for the heads of all agencies regarding employee relations and the handling of employee grievances, and also to the current Congressional interest in this matter. He noted that the latter asked agency heads to evaluate the situation in their own offices and to draw up a program of any necessary changes; also it gave the Civil Service Commission a definite authority for its activity in this regard. Mr. Siciliano asked that agency heads advise him informally in advance of any changes so that they might be discussed in the light of the interests and requirements of other agencies around the government.

LAM

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Gray
Mr. Minnich

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RA - 58-107

June 11, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, June 6, 1958:

1. A Federal Aviation Agency

ACTION:

a) The Cabinet noted without objection the presentation by the Special Assistant to the President for Aviation Matters, including his conclusion that the Presidential Message now being prepared for transmittal to Congress in the immediate future should specify the desirable features which, in order to reflect the President's policies, ought to be incorporated in any legislation establishing a Federal Aviation Agency.

b) The President underscored the need for legislation which will be flexible and which will give the Executive Branch latitude to handle by regulation the rapidly changing aviation problems of the future.

2. Social Security Legislation

ACTION:

a) Secretary Folsom spoke to the current soundness of the Social Security system and how it might be affected by pending legislation, particularly the addition of hospitalization coverage and payment increases to meet higher costs of living.

b) While recognizing that for some recipients the purchasing power of Social Security benefits has declined because of increases in the cost of living, the President stressed the importance of a strong position against the constant wage-price spiral.

3. The Federal Action Phase of OPERATION ALERT, 1958 (CI - 58-44/2)

ACTION:

a) The President requested that:

i) all key officials of Departments and Agencies be aware of and participate as fully as possible in Operation Alert, 1958,

ii) calendars during July 16-18 should be kept clear of all but compelling engagements, and out-of-town commitments be held to a minimum,

iii) Deputy and Under Secretaries be fully prepared to participate in the relocation phase of the Exercise, with Department Heads' personal relocation optional but encouraged (depending upon their other business) even if for only part of the time.

b) The President asked that as part of the Exercise damage assessment a special study be made of the functions and capacities of the nation's railroads in an emergency, with a view toward developing ideas pertinent to current consideration of railroad problems.

c) The President stressed his conviction that these Exercises are highly worthwhile for the government as a whole, and that there has been a great advance since 1953 in the mental attitude as well as the physical capability of government to act in an emergency.

4. Memorandum to Heads of Agencies on Management-Employee Relations

[Memorandum to the Heads of Executive Departments and Agencies dated June 3, 1958 from Mr. Siciliano]

ACTION:

a) The Cabinet noted the explanation by the Special Assistant to the President for Personnel Management of the reasons for issuing his policy directive of June 3, of what the directive does and of what the Department and Agency Heads should do to implement it.

b) Mr. Siciliano requested that when any Department or Agency is considering new regulations or procedures with respect to management-employee relations, he be consulted in advance of final approval and publication of such regulations or procedures. There was no objection to Mr. Siciliano's request.

Robert Gray
Secretary to the Cabinet

Approved by the President
June 11, 1958

THE WHITE HOUSE
WASHINGTON

June 5, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, June 6, 1958

The following items are listed on the Cabinet Agenda:

1. A Federal Aviation Agency (Mr. Quesada)

You have instructed Mr. Quesada "to report as soon as possible to the President on measures already taken or recommended to the Congress ... to further accelerate air safety." Pursuant to this assignment, and in the light of imminent hearings on Senator Monroney's new bill creating a Federal Aviation Agency, Mr. Quesada will make a presentation of general interest to the Cabinet. His presentation will highlight the following points:

a. The current figures and future projections of air traffic volume.

b. Progress to date on installation of equipment and civil-military collaboration.

c. Administration policy on future organization, i.e.,

  i) the immediate preparation of a Presidential Message supporting the Monroney Bill, but offering amendments,

  ii) the creation of a new Federal Aviation Agency which will be a genuine partnership, not just "representation" of civilian and military.

PRESENTATION TIME: 25 minutes -- followed by discussion

2. Social Security Legislation (Secretary Folsom)

Secretary Folsom has asked to present to the Cabinet the problems and alternatives of Social Security legislation.

On June 16, the House Ways and Means Committee will begin hearings on "all titles of the Social Security Act," and HEW expects the Committee to consider a whole bundle of proposals to raise the benefit level of Social Security and public assistance payments, and to increase the Federal share. The level has not been raised since 1954, and it will be argued that the heightened cost of living justifies increasing the payments to those recipients who are completely dependent upon this income.

If we take a flatly negative position on these proposals, fears the Secretary, undesirable legislation may be forced upon us with damaging political repercussions. The Secretary seeks the Cabinet's advice and the Administration's position.

PRESENTATION TIME: 20 minutes -- followed by discussion

3. The Federal Action Phase of OPERATION ALERT, 1958 (Director Gray)

OPERATION ALERT, 1958 breaks down into three phases: (1) the attack phase (featuring local civil defense activities) on May 6-7; (2) the Federal action phase on July 14-18 (the latter two days at relocation sites); (3) the evaluation phase on September 15-17.

The purpose of the Federal action phase will be to work through the problems posed by the competing requirements of localities and States for resources and assistance, and to come to some real decisions which will be guidelines for future resource planning.

As agreed in his talk with you, Mr. Gray is prepared to outline to the Cabinet the objective of the coming Federal action phase and how it will be managed. He wants also to touch on the September Evaluation Phase since it may involve a Cabinet or "expanded" Cabinet meeting.

Gordon Gray has specifically asked that you give emphasis at the Cabinet table to the three points which he has prepared and which you will find immediately under Tab 3.

PRESENTATION TIME: 15 minutes

4. **Letters to Heads of Agencies on Management-Employee Relations** (Mr. Siciliano)

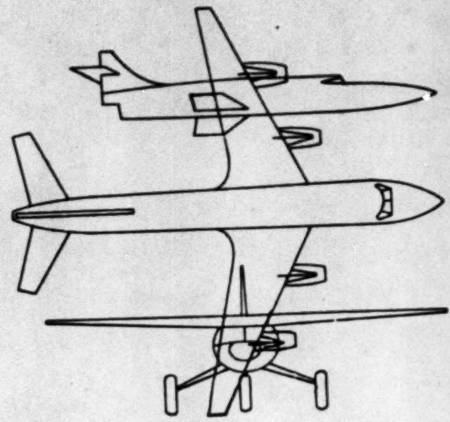
On June third, Mr. Siciliano issued a memorandum (see Tab 4) to the heads of Executive Departments and Agencies calling their attention to the existing policy concerning management-employee relations within the Federal Government. This memorandum underscores the responsibility of the Civil Service Commission to follow up and enforce the application of this policy. The reason for issuing the memorandum at this time is the feeling that there has not been full compliance in recent years on the part of the departments and agencies, plus a reluctance on the part of the Commission to effect the necessary follow-through.

Mr. Siciliano will explain briefly to the Cabinet the purpose of the memorandum and what is expected in its implementation.

PRESENTATION TIME: 5 minutes

Robert Gray

Robert Gray
Secretary to the Cabinet



Aviation
Facilities
Planning

FINAL REPORT

by the President's Special Assistant

MAY 1957

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON D. C. : 1957

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[1] Documented details on long-range requirements and on the plan for a national system of aviation facilities will be available through the Government Printing Office at a later date.

May 10, 1957.

Dear Mr. President:

I have the honor to transmit the report on Aviation Facilities Planning as requested in your letter of February 10, 1956.

This report has been made possible through the wholehearted support and cooperation of the Departments of Commerce and Defense, the Bureau of the Budget and the entire United States aviation community.

Respectfully,

Edward P. Curtis.

February 10, 1957.

Dear Mr. Curtis:

I am delighted that you have agreed to serve as Special Assistant to the President for aviation facilities planning. In this capacity you will be responsible for:

1. The direction and coordination of a long-range study of the Nation's requirements for aviation facilities.
2. The development of a comprehensive plan for meeting in the most effective and economical manner the needs disclosed by the study.
3. The formulation of legislative, organizational, administrative and budgetary recommendations to implement the comprehensive plan.

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I am taking this action because the rapid technical advances in aviation and the remarkable growth in the use of air transportation have confronted the Nation with serious aviation facilities problems. Modern aircraft can be operated in the numbers required by the national defense and the civilian economy only if airports, navigation aids, air traffic control devices and communications systems are suitable for their needs. Moreover, anticipated further increases in air traffic, the introduction of jet propulsion for civil as well as military aircraft, the advances being made in vertical flight, and the greater use of higher altitudes, all presage much heavier future demands upon our facilities for navigation and traffic control.

The preparation and acceptance of a comprehensive aviation facilities plan will provide the basis for the timely installation of technically adequate aids, for optimum coordination of the efforts of the civil and military departments, for the avoidance of costly duplications of systems and equipment, and for effective participation by State and local authorities and the aircraft operators in meeting facilities requirements. To delay the formulation of the plan is to invite further congestion of the airspace, needless hazard, economic loss, inconvenience to users, and possible impairment of the national security.

The Departments of Defense and Commerce have responsibilities in the operation of aviation programs. But revolutionary possibilities and the all-embracing character of aviation development require an independent over-all study of this national problem. That duty is placed upon you.

There already exists within the Government, and particularly in these two Departments, a wealth of experience, much of which should be helpful to you. In assembling the facts on aviation facilities needs and in developing the various elements of the comprehensive plan, you are authorized to call upon not only these two Departments, but upon any official of the Executive Branch for assistance. In fact, it is my expectation that the Departments and Agencies concerned with aviation will serve as your principal resource in carrying out your assignment.

I am transmitting copies of this letter to the Secretaries of Defense and Commerce with the request that they each designate a top-level officer to work with you and to assure the availability to you of every assistance which their Departments can provide.

I shall follow your work with deep interest. I shall expect that from time to time you will give me reports of your progress and that you will promptly advise me of anything that I might do to expedite your work.

For your further information and guidance, there is enclosed a copy of the report recently submitted to the Director of the Bureau of the Budget by the Aviation Facilities Study Group.

Sincerely,

/s/ DWIGHT D. EISENHOWER.

Mr. Edward P. Curtis
3541 Elmwood Avenue
Rochester 10, New York

Introduction

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Any national program looking to the full and logical exploitation of the American air as a central pathway of commerce and strategy must begin with a disconcerting acknowledgment. The American airspace is a natural resource that is on the verge of exhaustion in terms of the capacity of the system now in place for managing our free and safe access to this resource.

Between the combined demands of civil and military aviation the existing control apparatus is already taxed to saturation whenever instrument conditions prevail around and between the principal metropolitan centers. Under such conditions, the normal flow of air traffic in and out of the New York area, for example, may fall as much as 60 percent. At the present time, our aviation facilities are hard-pressed to manage, within the bounds of prudence, even the fair-weather flow of traffic now contending for room on the principal routes and at the metropolitan approaches. They are wholly incapable, in their present form, of meeting more than a fraction of the far heavier demands upon our airspace which the national strategy and the market are certain to impose by 1975—the period covered by this report.

The crisis now in the making is the result not so much of too little foresight as it is perhaps, in the larger implications, of too much. It is a consequence of the phenomenon by means of which the United States is becoming more and more an air community. During the last several years our national strategy has come to rest essentially upon air power in its widening manifestations. The industrial skills devoted to air technologies now comprise the largest single pool of employment in manufacturing. The airplane has become the prime mover of our population in its circulation over distances beyond 200 miles. These developments are changing the American way of life, our habits of work, our national outlook. If they are given room to follow their logical evolution they may well provide the principal sustaining elements to our social and economic well-being, as well as our national strength, for years to come. There has been no serious lack of foresight, then, in our seizing upon the opportunities presented by the air. What we overlooked was the possibility that the seeming "limitless ocean of air" might be quickly overcrowded.

This situation derives from the inseparable mixture of civil and military interest in the same limited resource. Both are claimants, day in and day out, for their essential share in the critical cubes and cylinders of national airspace. Neither can be rationed except at the cost, on the one hand, of the free and unhindered movement of our people going about their natural business or, on the other, of a curtailment in the drill of our forces concerned with national defense. Yet, so intense is the pressure upon the traffic control mechanism, especially around the major metropolitan centers, that a drastic rationing of the airspace will soon be inescapable, unless we at once set about installing a more efficient system for controlling its use. Either we must address ourselves without delay to the task of making more economical and effective use of our airspace, or else we shall witness the beginning of a slow strangulation of the most buoyant element in our national existence.

Essentially what now is at stake is the future rate of growth of American air technologies. They can be carried to their full potential only by an exercise in conservation which, while novel in its technological scope, is by no means unfamiliar as a form of national challenge. Actually there is no shortage of airspace for any demand that can now be foreseen. The encroaching crisis is a consequence of relying upon a methodology that has been made obsolescent by the vehicle it was meant to serve. Except for the addition of radar control around major airports, the air traffic control system now in use is, in its principal technical particulars, much the same system that was devised two decades ago to accommodate the growth in traffic stimulated by the DC–3—an airplane that cruised at about 160 miles an hour. It was never meant to cope with the complex mixture of civil and military traffic that now fills the air. Fortunately, the means for solving the problem are at hand. The purpose of this report is to highlight the problem and propose a solution.

7

Definition of Aviation Facilities

I have devoted the past year to the three areas of assigned responsibility. It was necessary to first determine, by the best possible scientific means, what types and volume of aircraft will be operating in our airspace and on our airports over the next twenty years. These forecasts were prepared in a manner usable to the scientists, engineers and practical operating people who were gathered together to develop a comprehensive plan for meeting the demands of steadily increasing numbers of aircraft and their broad spectrum of performance capabilities. My conclusions and recommendations in two of these three areas are discussed elsewhere in this report.

During the past year it has also been necessary to analyze the reasons why many excellent plans for improving the Nation's aviation facilities system have in the past failed to mature. It has become quite evident that the fundamental reason for our previous failures rests with the inability of our governmental organization to keep pace with the tremendous growth in private, commercial and military aviation which has occurred over the past twenty years. My recommendations in this area are contained in the third section of this report.

Before presenting my conclusions and recommendations, it is well to establish those areas which are encompassed by my work and which are considered part of the National Aviation Facilities System. These are:

1. The airspace over the United States, including the 158,000 miles of airways with the charts and electronic systems and components which are used to mark them.

2. The air traffic control system with its land and air communications networks, the radars and other data gathering equipments, and the air traffic control centers with their associated facilities.
3. The public airports and military bases, excluding those facilities on the airport which do not directly affect aircraft operations.
4. The approach and landing facilities such as radars, instrument landing systems, approach lights and control towers.
5. The system of rules and procedures which guides ground and air operations, establishes and enforces safe criteria for design, maintenance and operation of aircraft, and promotes the standards of training and test necessary to certificate and qualify pilots, navigators, air traffic controllers, maintenance mechanics, and other airmen.
6. The government programs, laboratories, facilities, personnel and procedures attempting to operate, refine, improve and modernize all aspects of the above items.

Other aspects of the Government's responsibilities in aviation which would not be considered as parts of our national aviation facilities system include, among others, common air carrier rate setting, domestic and international route awards, and purely military combat plans.

SECTION I

National Requirements Through 1975

We have already passed that point in time where our aviation facilities are capable of safely and efficiently handling all the aircraft seeking to fly. Our present manual system of air traffic control has been unable to efficiently absorb a growth in aircraft population from 29,000 in 1936 to 90,000 today by patchwork improvements and short-term quick fixes. Today's safety level is provided by imposing arbitrary and costly delays upon civil aviation and restrictions on military aviation which could be very serious in times of national emergency. By 1975, we expect the U. S. aircraft population to increase to 125,000.

As these aircraft become more versatile, productive and dependable, they are flown more each year. While in 1936 there were 5 million takeoffs and landings at the Nation's airports, there are now 65 million, and 115 million are forecast in 1975. (Figure I, Page 6.)

The anticipated 1975 performance spectrum of civil and military manned aircraft ranges from sea level and zero speed to tens of thousands of feet, and speeds greater than sound. (Figure II, Pages 8 and 9.)

These numbers serve only to indicate the degree of growth that has been experienced in the last twenty years and what is expected in the next twenty. To better understand the anticipated loads on the Nation's aviation facilities, it is necessary to focus on specific situations. For instance, during peak hours on busy days in 1956, there were 175 aircraft simultaneously airborne in the New York area (which is the largest airline passenger generating area in the world). It is predicted that by 1975 this num-

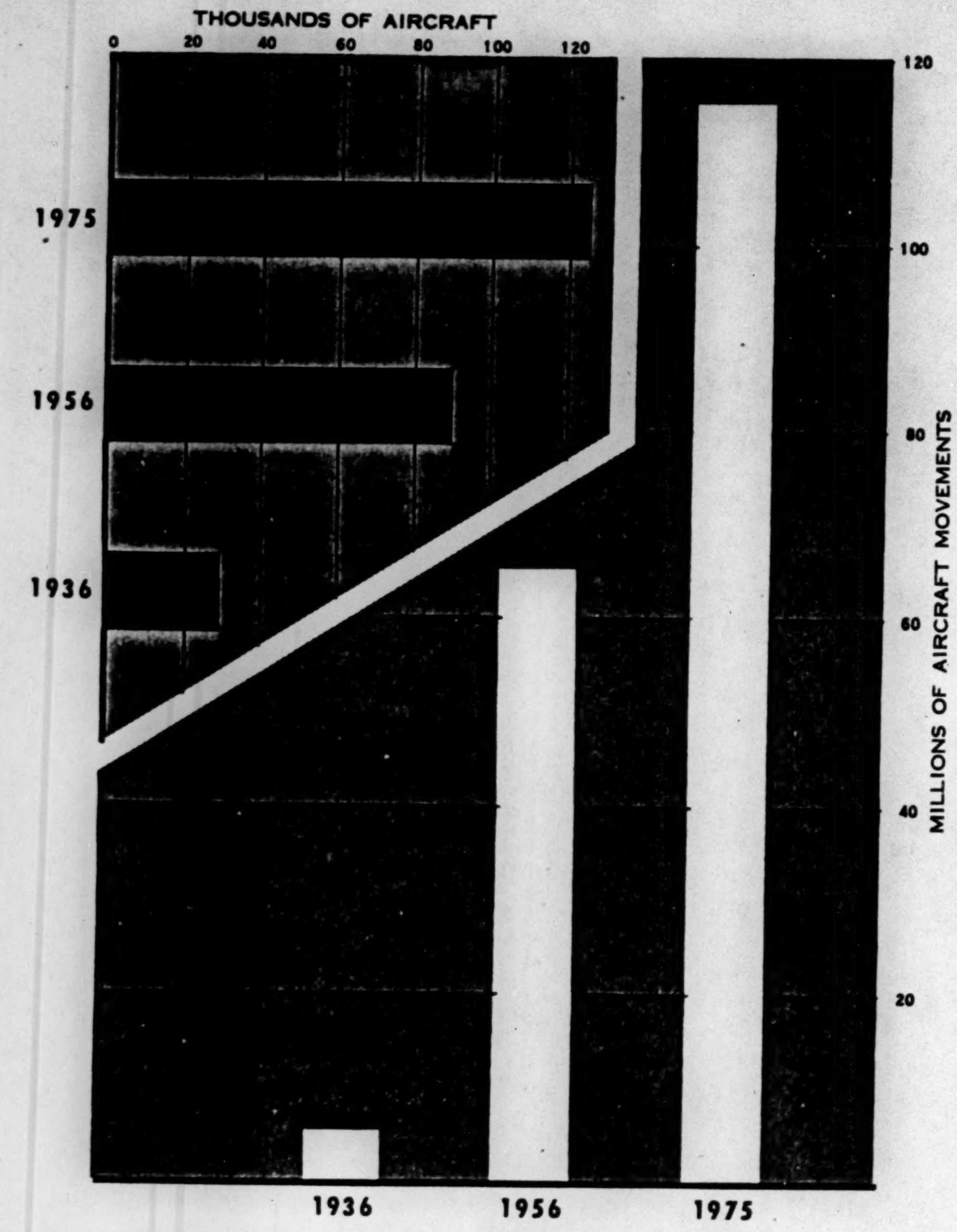

Figure I.—Ratio—Number of aircraft to aircraft movements.

ber will grow to 370. (Figure III, Page 10.) Similar statistics for Los Angeles (which generates the largest volume of general aviation in the world) show that in 1956 there were 270 aircraft simultaneously airborne under similar conditions. In 1975, this number will have grown to 730. (Figure IV, Page 11.) On a busy day in 1956, there were 90 aircraft simultaneously airborne in the en-route corridor between New York and Washington. By 1975, there will be about 150 aircraft simultaneously airborne within this same corridor.

It is physically impossible for today's aviation facilities to control the 1956 volume of aircraft in such high-density areas—even in clear weather. Whenever poor visibility or cloud conditions make it impossible for pilots to fly by reference to the ground, many planes do not fly. Those pilots and aircraft qualified to fly "on instruments" are subject to costly delays on the ground and in the air when they rely upon air traffic control to keep their planes separated.

Today, even in clear weather, when traffic congestion reaches the magnitude indicated by our statistics, or when the speed of converging aircraft reaches that of a 45-caliber bullet, complete reliance upon a pilot's ability to see and avoid a collision is questionable. A safe system today and in the future requires continuous traffic control in some areas regardless of the visibility conditions.

The requirement, therefore, is for an air traffic control system which can handle more of today's traffic, not just a fraction of it and a system with the flexibility and capacity to grow and accommodate the air traffic of 1975.

Our expanding aviation will place new and additional demands on all the other portions of our national aviation facilities system. We predict the need for a two-fold increase in the capacity of our Nation's airports while ground facilities dealing directly with passengers will require even more spectacular increases in capacity.

Detailed information about the present and future requirements for aviation facilities has been developed, and is completely described in a separate report.

Recommendation

That these estimates of future demands on our aviation facilities as disclosed in this report be used as a basis for future planning by Federal and local government agencies concerned and that the data be reviewed and kept up to date by the appropriate Federal agency.

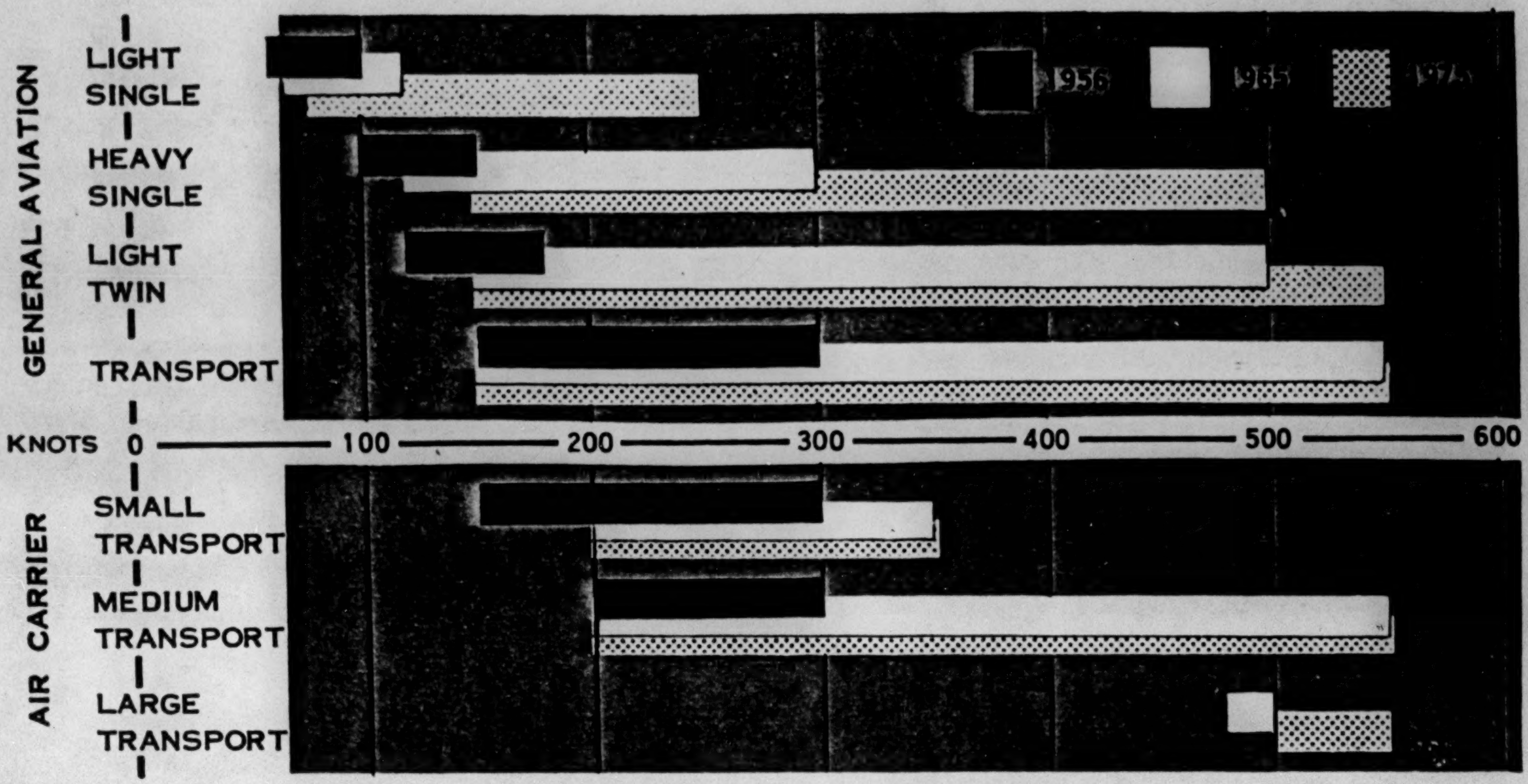

Figure IIa.—Range of cruising speeds.

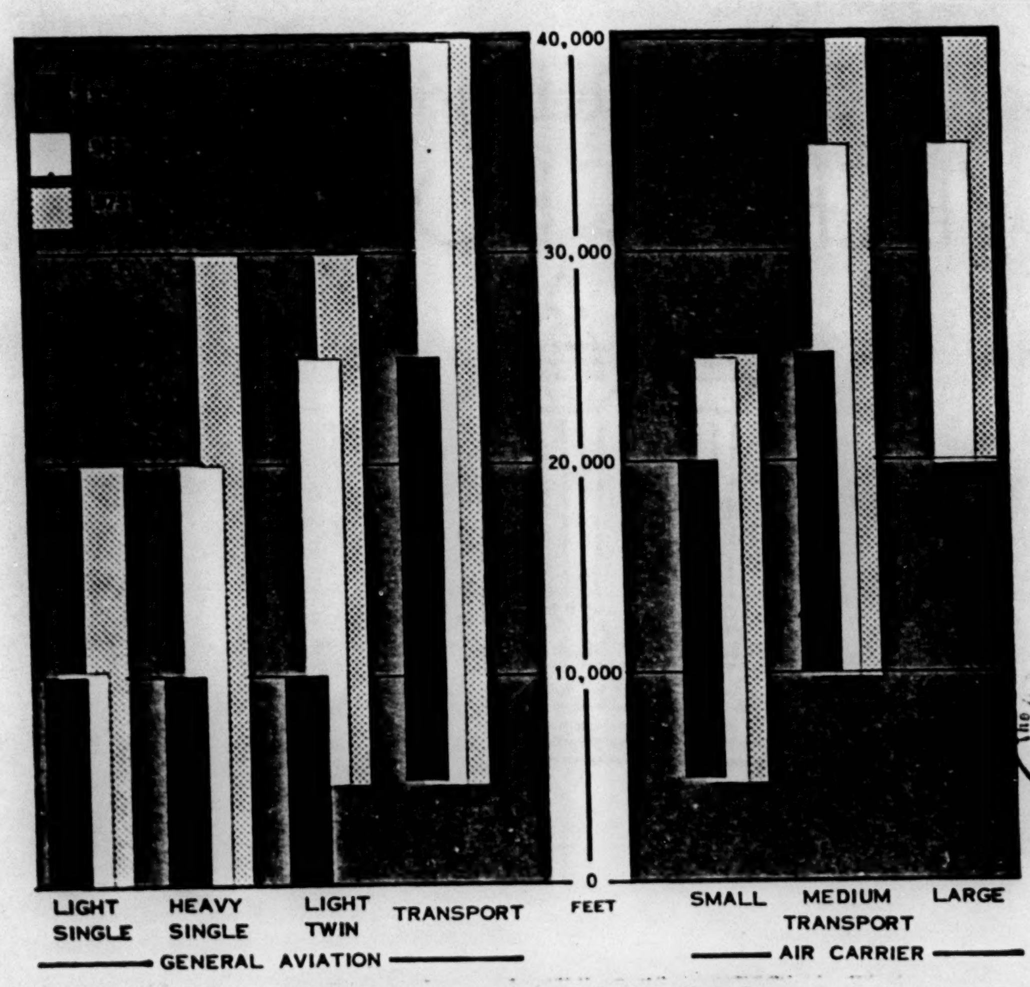

Figure IIb.—Range of cruising altitudes.

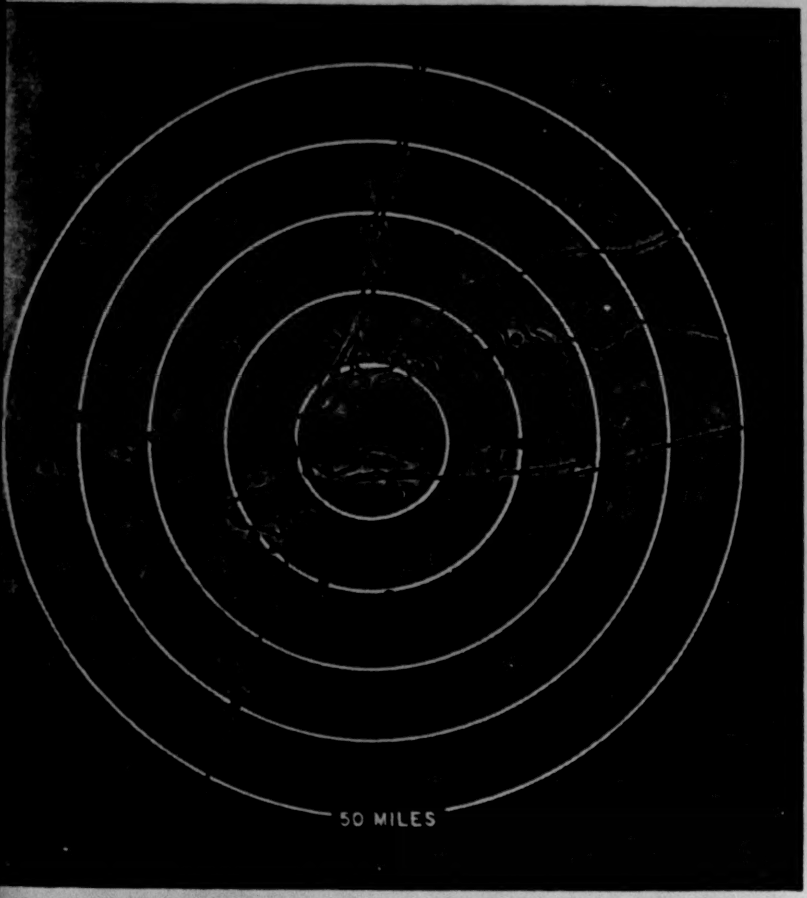

Figure IIIa.—Radar display showing distribution of airborne aircraft in the New York terminal area at 10:30 am July 14, 1956. Altitude separation is not shown although 85 percent of these aircraft are below 10,000 feet. There are 123 aircraft on this display.

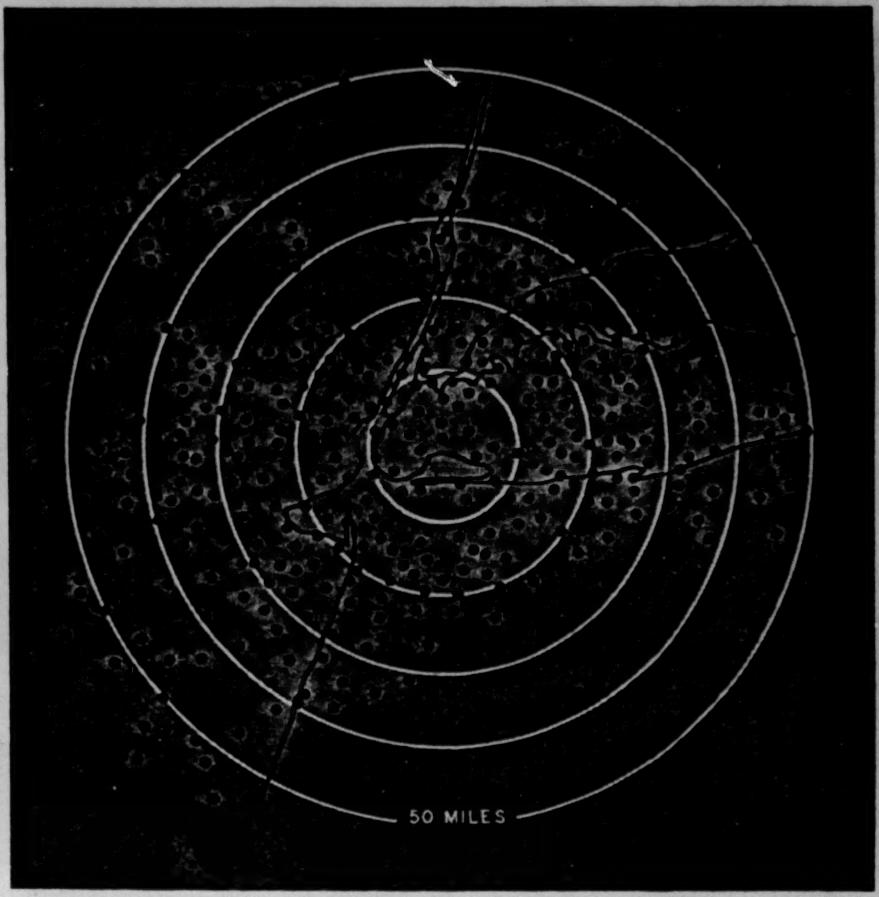

Figure IIIb.—Possible distribution of forecast 1975 airborne aircraft in the New York area. Altitude separation is not shown. There are about 350 aircraft shown on this display.

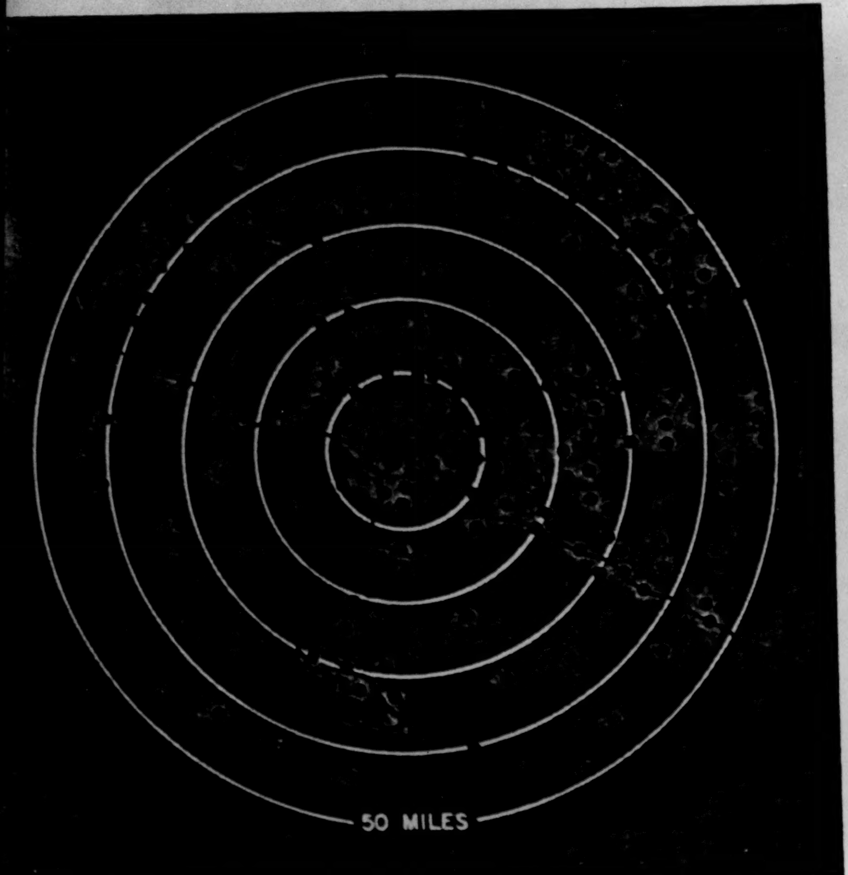

Figure IVa.—Simulated radar display showing 1956 distribution of airborne aircraft in the Los Angeles terminal area. Altitude separation is not shown although 80 percent of these aircraft are below 10,000 feet. There are about 270 aircraft on this display.

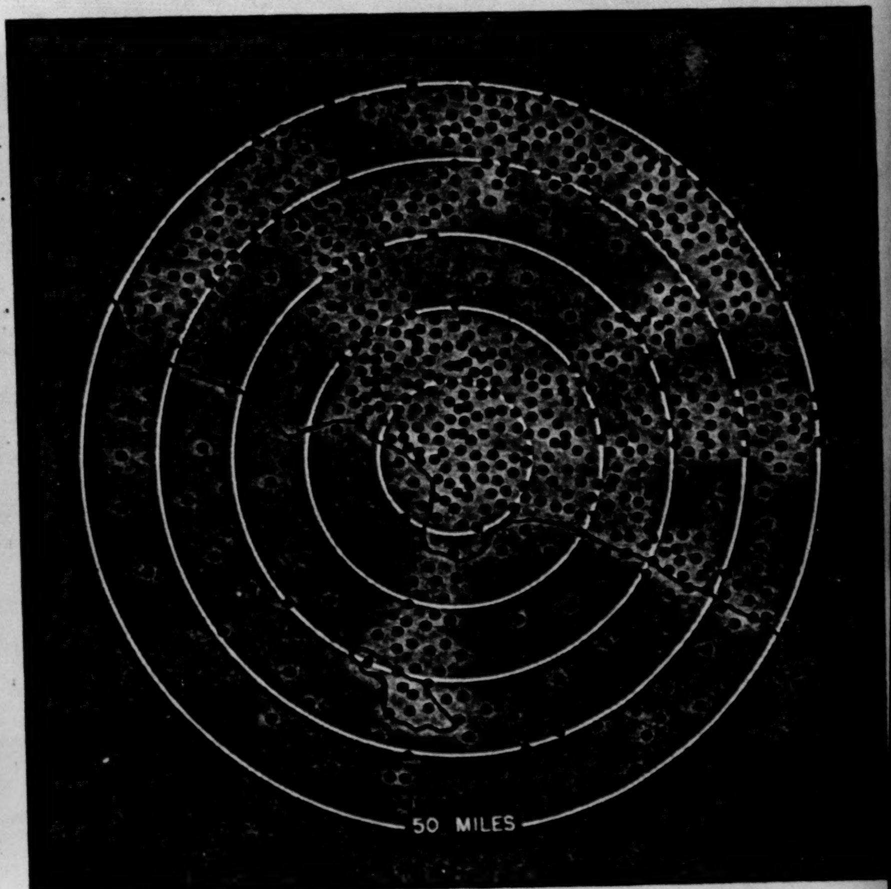

Figure IVb.—Possible distribution of forecast 1975 airborne aircraft in the Los Angeles area. Altitude separation is not shown. There are about 730 aircraft shown on this display.

SECTION II

A Plan for Aviation Facilities

The studies of my requirements group on the growth of aviation indicate an urgent need for expansion of the Nation's aviation facilities. By 1975, the airport capacity of the country must be doubled, and the number of aircraft operating under traffic control will increase by ten times. This expansion must be achieved without deteriorating safety or creating undue interference with aviation operations.

It has been the task of my Systems Engineering Team to determine the nature of the system which will be necessary to meet these requirements.

The fundamental concepts on which their studies were based are:

- That a single national system of aviation facilities be capable of meeting the needs of civil and military aviation.
- The system must support the air defense of the United States against enemy attack by providing information on friendly aircraft that is inherent in the system, and serving as the common Army, Navy and Air Force system of aviation facilities in time of war.
- Conversely, the air defense system should provide the system of aviation facilities with information it possesses which may be useful for air traffic control.
- The facilities, procedures and regulations should be designed to insure a fair priority of service to all users. This priority must give way to military necessity in time of national emergency.
- Improvements to the system must be compatible, in the transition period, with current operations.

- **The system should be capable of expansion, so that increased demands beyond that predicted do not outmode the system.**
- **The cost of the system to the Nation must be reasonable with respect to the overall value of supporting civil and military aviation. For the user, the cost of cooperating with the system must be reasonable in comparison to his overall cost of operation and benefits to be derived.**

We have concluded that the increasing demands of the next two decades can be accommodated essentially with the scientific technology known today, and have proposed a comprehensive modernization plan.

We are convinced that aircraft depending solely on pilot vision and alertness to avoid collision cannot safely share the same segments of airspace as those aircraft which are kept separate by air traffic control. The plan envisions, therefore, division of the airspace in zones reserved either for controlled separation or for separation by individual pilot action.

First, all airpace above a designated altitude will be set aside for controlled separation at all times, because visibility and speeds at higher altitudes are such as to make "see-and-be-seen" flight unsafe.

Below this upper zone, a further division of airspace will be made. Funnels and cylinders of airspace are reserved for controlled separation of aircraft travelling from the upper zone to airports. Separate traffic patterns, final approach lanes and separate runways will, whenever practical, be provided for high and low performance aircraft either at the same airport or adjacent to them. Highways of controlled airspace connecting the funnels and cylinders are reserved for controlled separation of low-flying traffic.

Airspace outside the highways, funnels and cylinders is reserved for aircraft capable of visual collision avoidance (Figure V, Page 14).

For flight in see-and-be-seen airspace, aircraft must meet accepted minimum cockpit visibility requirements. They must be flown below a designated airspeed and carry a barometric altimeter to determine altitude boundaries of controlled airspace. It may also be necessary for see-and-be-seen aircraft to carry a simple electronic device to detect the edges of controlled airspace.

To fly in controlled airspace above the designated upper altitude, pilot and aircraft must meet the following standards:

- The aircraft must be equipped with a standard sensitive barometric altimeter and a two-way radio with the appropriate frequencies.
- Both pilot and plane must be capable of instrument flight and navigation of a designated accuracy and reliability.
- The pilot must be able to make required position reports and carry out simple holding and pathstretching maneuvers.

For flight in controlled airspace below the designated upper altitude, a pilot who meets all these requirements save that of instrument flight capability may still be cleared by air traffic control to fly in the controlled highways, funnels and cylinders as long as good visibility prevails. With a proper division of airspace, it will be possible for an aircraft to go from one airport to another optionally

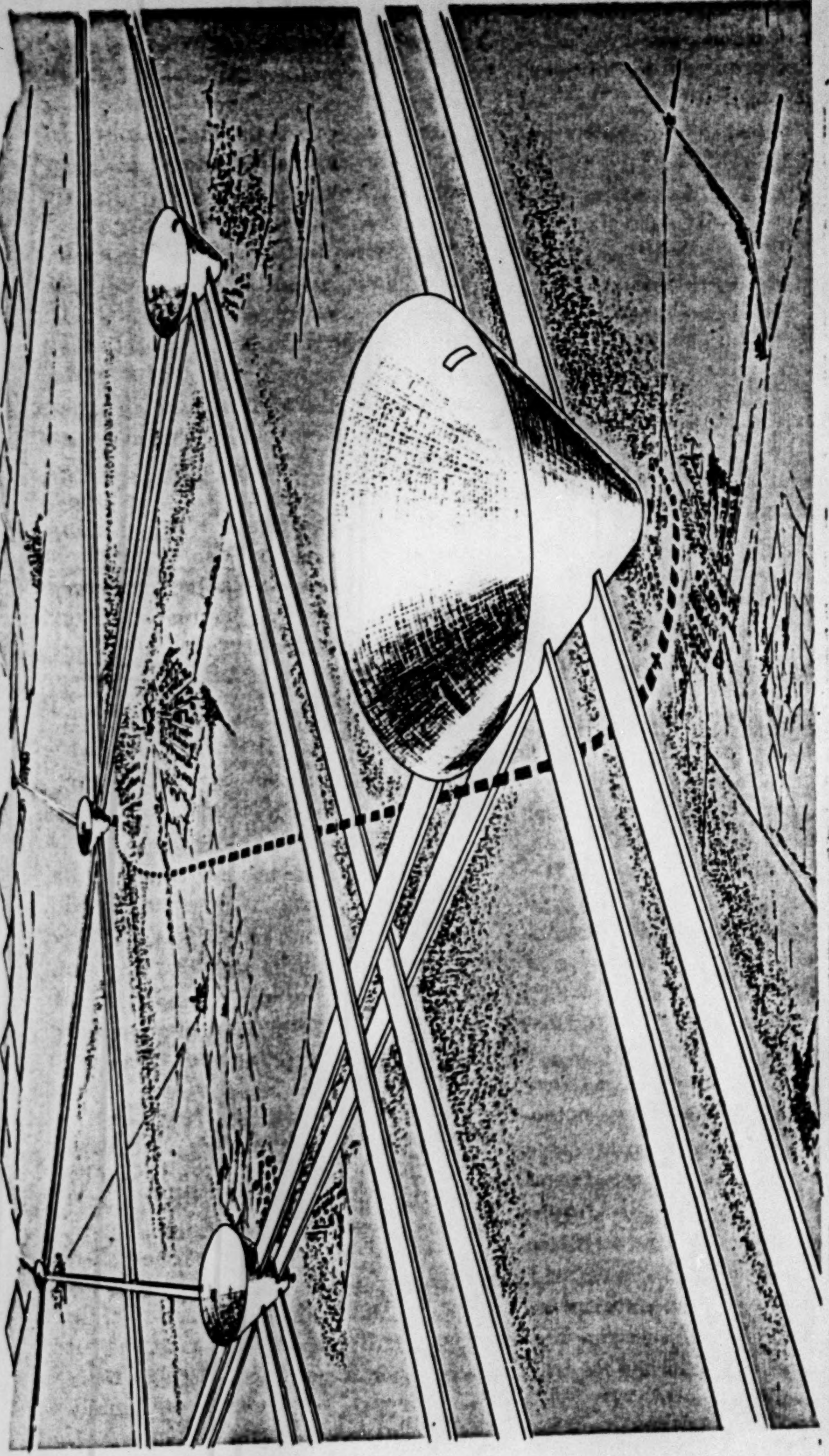

Figure V.—Division of airspace below the upper, all-weather control zone. Cones of controlled airspace funnel traffic between the upper controlled zone and airports on the ground. Slant airways (not shown) lead from the bottom of these cones down to the airport surface. Ribbons of controlled airspace link the cones with each other. Dashed line shows separate, nonconflicting path of see-and-be-seen aircraft.

under controlled separation or by see-and-be-seen separation.

The paths required by the users vary with type of aircraft, length of flight and weather and wind conditions. For short distance flights between population centers, fixed paths will be used. Aircraft would follow very nearly these same paths even if no control were exercised.

Transcontinental flights, on the other hand, will have flexible paths to take advantage of the most favorable flying conditions. These flights commonly take place at high altitudes where they do not interfere with short-haul traffic on the fixed paths.

Direct flights between minor population centers are a small percentage of the total traffic and tend to spread out over the whole country. Thus, in any particular area, the density of this type of traffic will be very low, and separation can be provided without undue complication.

For flights inbound into terminal areas, descending paths that converge on the airport are required. Also, inbound aircraft must maneuver so that they will be lined up and ready for the final approach at the correct altitude and airspeed. The path an aircraft follows during this maneuvering process will combine descent with horizontal path stretching in such a way that aircraft reach their destination in a sequence with other aircraft landing at the same terminal. Ascending paths will be provided for outbound flights.

Helicopters, with their low speed and high maneuverability can use airspace that is not practical for many conventional aircraft. This natural separation will be used to advantage in selecting helicopter paths that are compatible with those used by fixed wing aircraft.

Reserved high-precision attack paths will be established for interceptor aircraft to seek out enemy aircraft through airspace which may contain friendly aircraft.

Control of air traffic will be carried out by a central ground authority by continuous prearrangement of airspace reservation for each aircraft, as contrasted to free flow of traffic with the control system intervening occasionally to resolve potential conflicts. The airspace will be divided up further into blocks of airspace defined electronically by a navigation system, and used as a basis of defining airspace reservation.

The air situation will be determined by the air traffic control system by two independent methods—reporting of position by the aircraft, and a three-dimensional ground surveillance system. The position data from these two sources will be correlated by air traffic controllers to determine flight progress and to assign clear airspace in the process of air traffic control.

Communication will be essentially automatic between all elements of the system, thus eliminating the delays encountered today because of the delays in voice communication. Voice communication, however, will remain the basic emergency means of communication throughout the system in case of equipment failure, and for those operators who do not, because of economic reasons, install cooperating automatic communication equipment.

Control will be decentralized, with each controller having a display of the airspace under his jurisdiction, tailored to fit the geometry of his airspace. Data will be concentrated and organized to suit the functions of each controller. The human controller should—and can—retain his vital role as the decision-making element of the system. But the processing, storage, communication, and display of data used to make the decisions will be thoroughly mechanized. Additionally, automatic devices will be used to carry out calculations to facilitate scheduling and to expedite the flow of traffic.

Airports are an integral part of the system of aviation facilities. However, unlike other elements of the system, airports are designed, built, financed and operated by local authorities. The increase in overall traffic will require a modernization of airports and an increase in their numbers. This imposes the necessity for coordinated national and local effort to insure that airports do not become a neglected element of the system, and thus be a future bottleneck.

The Federal Government should carry out airport research and experimentation so that local planning for new airports can be done on a sound basis.

In order to achieve the necessary improvement and modernization of the Nation's aviation facilities, we have prepared a comprehensive plan for meeting the Nation's future needs. The plan calls for a three-part program:

1. Immediate steps to augment and improve the current plans of the Civil Aeronautics Administration,
2. Immediate establishment and execution of a unified modern research and development program, addressed principally to early application of existing scientific technology.
3. Establishment of a permanent program of continuing modernization of the Nation's aviation facilities.

Recommendation

That the comprehensive plan set forth by my Systems Engineering Team report be used as the basis for airways modernization.

SECTION III

Government Organization

THE INTERIM PLAN FOR ORGANIZATION

I have examined the administrative and legislative processes which must be followed in order to rearrange organization of the executive branch to consolidate responsibility and authority for aviation activity sufficiently to meet our present and future problems.

The minimum time necessary to study in detail, to develop new management structures and policy, to coordinate such proposals within the executive branch and to obtain legislation implementing a new permanent organization might be as long as two to three years.

The urgency of modernizing our airways and taking certain other action is sufficient, however, to warrant immediate attention.

Recommendation

A two-point plan of action is recommended to create the conditions in the Government which will make possible the solution of our more pressing problems in aviation.

1. ***Create an Airways Modernization Board as an independent agency.***
2. ***Appoint a Special Assistant to advise you on aviation matters until a permanent organization can be created.***

The Airways Modernization Board, as an independent agency, would be responsible for developing and consolidating the requirements for future systems which are needed to provide the necessary communications, navigational aids, and control needed to accommodate the future air traffic in the United States. It would be responsible as well for the systems engineering, the evaluation, and the selection of such aids as will best serve the needs of aviation.

A Bill, to create this Board, is now being considered by Congress. It recognizes that military and civil aviation share the same airspace. It also recognizes that the selection of future systems and methods of control of air traffic is a public action in the broadest sense. The Board is authorized to assemble military as well as civil personnel to assist in conducting its affairs. The Board is likewise expected to arrange for satisfactory and equitable advice from the users of aircraft and the engineering talents of industry. In other words, the Board will conduct a joint analysis, test and selection activity which recognizes that the national system must accommodate the civil and military air traffic in peace or war.

The over-all system is an essential part of our national defense against air attack. It likewise must respond to the growing demands of public need. These apparently different requirements have not been subject to resolution by the committee conference methods which have been used. Therefore, the Board is expected to engage in extensive test and experimentation in the field, where the intricate problems of procedure and equipment can be tried, and the pilots and traffic controllers can experiment together, bringing the skills of science to bear, and to resolve their problems. This Board, with an impartial Chairman, will then be able to arrive at decisions and specify the most advantageous systems from an economic, operational, and technical point of view.

It is intended that this Board will specify new systems which will best serve the needs of all air navigation and traffic control to the interested military and civil agencies. It is not intended that the Board will have the authority to produce or procure the final ground or airborne equipments to be used in operations.

The Board should consist of a Chairman appointed by the President, a Defense member, and a Commerce member. Its authority should include control of programs intended to develop, test, evaluate and select systems and devices for the national plan of air traffic control and navigation; the authority to obtain and use appropriations; create and manage field facilities for experimental purposes, to hire personnel and to let contracts. The programs decisions should be decided by majority vote of the Board.

The functions which the Board will perform are entirely in consonance with the considerations being given to a broader change in Federal Government organization for aviation matters. The urgency attached to the need for it precludes the possibility of deferring its creation until the complex investigations required to achieve a durable permanent organization are completed. On the other hand, however, it is equally important that the existence of the Airways Modernization Board should not obscure the urgent need for a broader permanent organization.

The Special Assistant for Aviation should be assigned three tasks:

1. To exercise leadership in implementing a permanent plan of organization and in preparing the necessary administrative policy and legislation required to execute such plans. This permanent organization should bring the civil and military interests closer together in solving their mutual problems, and accelerate the actual installation and use of modern traffic systems so that aviation can develop as the national economy and the public convenience demands.

   The bill creating the Airways Modernization Board limits the active life of the Board to three years. Thus it will have sufficient time to establish its functions, which we consider essential and permanent. However, in this same period of time, it is essential that your Special Assistant for Aviation actively develop, with the aid of interested agencies in the executive branch, an organizational arrangement which will permit solution of the many other serious aviation problems in addition to system development. This work can be accomplished within the three-year period, and perhaps in far less time.
2. To serve as the Chairman (non-voting) of your Air Coordinating Committee, pending creation of a permanent organization. This Committee, with its sub-groups coordinating airspace, airport and other problems, is the one existing activity which considers aviation problems on a national scale. As Chairman, the Special Assistant can bring a non-partisan view to these problems and can assist the agencies in the review of important aviation policy matters.
3. To advise you on aviation matters. (It is not intended that his interests would extend to military activities, except as they combine with civil aviation activities to create common problems which need attention.)

The section on recommendations for a permanent organization which follows points out why considerable negotiation and study will be required in the next year or so to develop an organization plan acceptable to the executive branch and to the Congress. Active leadership will be necessary to achieve satisfactory results even in this time period.

A PERMANENT ORGANIZATION FOR NATIONAL AVIATION

As a general goal for the future, the Federal Government must determine the role it will play in U. S. aviation activities; it must decide how it will modernize the system for safely expediting air traffic, and it must carry out this modernization at a rate which accommodates the growth in traffic.

One of my responsibilities has been to examine organization in the Federal Government and determine whether it is adequate to achieve the goal, or whether changes are necessary in order to properly manage aviation affairs.

The present interrelationships

among Federal agencies are very complex and have contributed to the inability of Government officials and Congress to understand the problems of national aviation and to respond to them with satisfactory and timely solutions. Clearly the present agencies and their relationships have not produced sufficient consolidation of intent, determination of disputes, or level of effort needed to create and operate an air traffic control and navigation system adequate to accommodate the growth of air traffic.

There are about fifty active functions in the management of national aviation activities which bear closely on aviation facilities, not including many important functions such as economic regulation and promotion or international negotiations and relations in the field of aviation—both of which have indirect effect on our national activities.

These have been classified into nine groups:

1. General (determination ofaviation policy, prepare aviation legislation, long-range plans, annual budget, etc.).
2. Air Safety operations.
3. Development of airports and construction of aviation facilities.
4. Control of airways and allocation of airspace.
5. Air traffic control and terminal flight operations including modernization of the system, preparation of control procedures, and training of operations personnel.
6. Weather observation and forecasting.
7. Radio frequency allocation.
8. Equipment development and production.
9. Preparing plans and testing operation of the national air traffic system in time of war.

The complete list, attached as Exhibit A, Page 31 contains, in addition, several key functions which are not performed to any significant extent at all.

When all of the Federal agencies were identified which have management participation in each function, the results showed clearly the diffusion of interest and responsibilities which, I believe, has deterred executive branch policy making and execution of programs, as well as creating unnecessary difficulty for Congress in understanding these processes and assuring itself that proper support and management were supplied.

The Government and the public should be able to look to one agency for the management and the responsibility for our national aviation affairs.

Recommendation

An independent Federal Aviation Agency should be established into which are consolidated all the essential management functions necessary to support the common needs of the military and civil aviation of the United States.

I am well aware of the important objections to the establishment of any additional independent agency to an already over-complex Government structure. Only the most compelling necessity for dealing with the combined civil-military air problem on an operating level leads me to make this recommendation. We cannot escape the fact that military aviation is completely intermeshed with civil aviation. The conduct of military flying, particularly our national defense against air attack is critically dependent upon policy and management actions which are commonly considered of civil concern.

This became very clear when I determined the degree with which the military services have had to participate in Government-wide aviation discussions, and oft-times how the military agencies have attempted to manage their own aviation affairs without close reference to others. Therefore, in recognition of the problems of safety in our airspace and economy of Government activities, I believe that the Federal Aviation Agency should be staffed by both civil and military personnel. The Head of the Agency should be an outstanding civilian. In no other way can the Nation be certain that the aviation problems which are common to the civil and military interests are so identified and their solutions promptly obtained. The Civil Aeronautics Administration as we know it today would be absorbed within this new Agency. In addition, several large important activities would be absorbed which are not presently located in the Civil Aeronautics Administration.

In the following paragraphs, I wish to identify a representative number of major functions in aviation, explain our present difficulties, and submit recommendations for creating a management environment more conducive to overcoming those difficulties.

NATIONAL AVIATION POLICY

Aviation is an instrumentality which has been rapidly adopted to serve the interests of national defense and many facets of daily public need. Therefore, many of the principal agencies of the Government have developed some regulatory, policy or service interest in aviation.

In 1945, the pressure of growth in national air services and the intricate international agreements needed to expand world air commerce caused the Government agencies with a principal interest in aviation to create the Air Coordinating Committee. This was an effort to communicate on the growing air policy problems and to create an arena in which conflicts could be resolved. In the past decade, this Committee has served admirably in resolving literally thousands of cases of agency conflicts, mostly on the local level.

However, neither the major policy problems or the necessary forward planning have received attention commensurate with the rapid expansion of U. S. aviation. Aviation has now grown to be the largest industry in the United States, exerting a profound effect on our economy and our national defense. Aviation policy cannot be resolved by interagency coordination processes alone, as we have attempted in the past. Many of the responsibilities for the Federal Government's role in aviation should be consolidated into one agency. The problems which face us are of the very broadest public nature. We are now trying to solve them in committees without statutory authority. The Congress and the executive branch need to be able to look to a properly organized agency for future plans, budgetary needs and responsibility for operations in the area of aviation.

Of course, the primary functions of other executive departments (i. e., the State Department in international relations, the Defense Department in air weapons and military affairs, the Civil Aeronautics Board in the economic regulatory functions) must be fully recognized. However, all aircraft share the common U. S. airspace and terminal areas. The new agency is intended to centralize the responsibility for policy, operations, and modernization of this national service so as to permit a safe expansion of aviation to meet the demands of the public and the military functions important to us all.

In place of your Air Coordinating Committee there should be an aviation policy council on which are represented the other Federal agencies having a principal interest, which is advisory to the Federal Aviation Agency. It will need the advice of the other interested agencies on national aviation policy and must, therefore, have this means of communication. The Head of the Agency should likewise actively seek, by formal means, the representative advice of those public and industrial organizations which are actively engaged in aviation activities.

I have listed as Exhibit B, Page 33 a number of representative major U. S. aviation problems which must, in the future receive more active and constant attention if the public and the national interests are to be served adequately. Many agencies must contribute to formulation of Federal policy on such subjects. However, one agency should have the responsibility of insuring that such pressing matters are not neglected and that policy and subsequent actions are developed.

Perhaps one of the most difficult management tasks, yet one of the most essential, is long-range planning.

The Head of the proposed Federal Aviation Agency must have the management tools in hand with which to present the future aviation problems, the proposed solution and the funds and personnel required. This story must be told in terms which can be understood by other Government officials who are not directly and constantly associated with aviation.

Periodically, a reexamination of the public need for aviation services, the economic trends and the characteristics of aircraft must be made in order to hold Federal activities in perspective to the demand for national services.

In system engineering and research, constant foresight is needed to determine potential usefulness of new technology.

A competent effort is required to determine limiting factors which control the adoption of some new technical innovation into the national air traffic system. These include the cost, the skilled manpower, the installation, the benefits to the system and the years in which the new system can be expected to serve the public. Likewise, the operational doctrine of use of new systems must be worked out in advance.

Thus management can assemble information and prepare future plans of operation showing improved capability, economic impact, costing with respect to annual budgets and a phased development of the plan.

In my investigation, I have not found any agency which has a well-developed system of long-range planning in aviation which would permit the executive branch and Congress to understand what prospect of improved safety and expedited air traffic can be expected for the funds provided.

Recommendation

That the function of developing major U. S. aviation policy and long-range plans of implementation, and the supporting budget requests be made the responsibility of the Head of the Federal Aviation Agency.

It is not intended that this policy-making responsibility will include policy having a unique or primary effect upon air weapons, international affairs, economic regulation or other special functions vested in existing Federal agencies.

DEVELOPMENT AND SELECTION OF FUTURE AIR TRAFFIC AND NAVIGATION SYSTEMS

Interim steps are being taken to create, for a three-year period, an Airways Modernization Board. This Board, with statutory authority, is intended to commence at once to fill the serious gap in joint test and evaluation of air traffic control, navigation and communication systems. These functions are permanently necessary, and are lodged in this temporary agency only until a permanent aviation organization can be created.

During the present interim period, these developmental functions will be separated from the civil and military agencies responsible for air operations. This separation is not sound as a permanent pattern. Following the development of a new traffic system, a crucial period of transition takes place. In the past it has taken literally years to achieve acceptance of such new systems. This delay can definitely be reduced if the development functions and the operational functions are lodged in one agency.

Recommendation

That the functions, the activities, properties and personnel of the Airways Modernization Board be incorporated into the Federal Aviation Agency and, at that time the Board, as an independent agency, be dissolved.

ENROUTE AND TERMINAL TRAFFIC CONTROL OPERATIONS

Library

It has been the policy of the Federal Government to assist civil and military aircraft to fly safely and expeditiously. Over the last twenty years, a network of 158,000 miles of airways has been designated on aeronautical charts and equipped with navigational devices to assist enroute traffic. About 176 traffic control towers at principal civil airports and 246 towers at military bases assist aircraft in landing and departure operations. The Civil Aeronautics Administration has invested up to Fiscal Year 1957 about $170 million in communications, lighting, radar and navigation installations to accomplish this. The military have invested well over $100 million. In terms of people, over 10,000 Civil Aeronautics Administration personnel and well over 5,000 military personnel operate the national system of air traffic.

The speed of military aircraft has caused the development of excellent terminal radar control systems which are reaching out into much larger volumes of airspace, enveloping at many locations the operations at civil airports. The air traffic is, of course, intermixed. Presently, the military services operate their terminal traffic systems separately from the Civil Aeronautics Administration. This duality of operations has caused difficulties in recent years which will increase in the future. A continued negotiation is under way to convert some of these over to civil management. However, in the future a better arrangement of all these operational functions can be found.

Representative problems today are:

1. Insufficient military personnel, trained in traffic control, to man military overseas bases.
2. Short tenure of military personnel in air traffic control operations.
3. Irregularities in criteria of competence of civil and military personnel.
4. Differences in training given military and civil personnel.
5. Inequities of pay.
6. Different standards of equipment design and installation.
7. Conflict in terminal area control of traffic.
8. Disposition of essential air traffic control and flight safety personnel in time of war when National Guard and Reserve personnel are called up.
9. Separate civil and military procurement of radar for air surveillance over the United States (Air Defense and traffic control).

A number of management problems need detailed study to effect this consolidation. All of them appear solvable.

1. The legal and administrative status of a civilian overseas and in residence on a military base in peacetime and in case of local conflict.
2. The response of civil employees to the military base commander.
3. The consolidation of training and pay standards.
4. The development of firm plans to stabilize essential air traffic personnel in time of war.
5. The accelerated introduction of new operational methods for air traffic control.

Recommendation

That prompt steps be taken under the leadership of the Special Assistant to the President to determine the maximum feasible consolidation of operating agencies engaged in air traffic control and safety communications activities into a jointly managed activity within the Federal Aviation Agency

An important step in modernizing operations of our airways in the future can be taken by consolidating present military and civil air traffic control, navigation and safety communications operations. Under joint management, a considerably greater degree of safe handling of air traffic could be realized, and undoubtedly some economy in cost as well.

The Government would likewise be assured of maximum joint use of the vast quantities of radar now being purchased separately by the military and the Civil Aeronautics Administration for use throughout the United States.

I am convinced that we will witness a reduction of stresses between civil and military agencies as they identify a common operational problem in the future, and join in solving it under central leadership.

THE ALLOCATION OF AIRSPACE

The airspace over the United States is a resource which, in the interest of air safety, has been allocated freely for special use.

The Federal Airways, occupying 158,000 linear miles, have grown 280 percent in seven years. Reserved airspace for special military uses covers 397,000 square miles. It has expanded 228 percent in seven years.

We realize now, because of the manner in which this airspace has been allocated, that in large sectors of the country a congested condition exists, forcing serious inflexibility upon both the civil airways and military training operations.

Thus far, airspace has been granted on a case-by-case basis, following review and coordination in the Airspace Use Panel of your Air Coordinating Committee. No Government official with a common interest in civil and military aviation has effectively questioned the need for new restricted areas requested by the military, or the patchwork growth of zig-zag airways between cities and around such areas. Likewise, no one monitors the actual use of restricted airspace to confirm the military need.

Competition is becoming sharper each year between civil and military users of our remaining airspace. Equitable and prompt settlement of such problems in the future will depend upon developing clear national policy regarding the compatible use of airspace by two or more agencies, the development of national plans for the use of airspace, and the application of experiment and simultation techniques to clarify such manifestly technical traffic and air safety problems. Rather than experience the increased delay and debate which will accompany further allocation of airspace by committee methods, this function should be assigned where all interested parties can continue to be heard, but where operations analysis and technical methods can be applied to such problems so that long-range plans for the use of airspace can be developed.

Recommendation

That the development of long-range airspace plans, national airspace policy and the assignment of all U. S. airspace be made the responsibility of the Federal Aviation Agency

THE ALLOCATION OF RADIO FREQUENCIES

The electro-magnetic spectrum, although unnoticed by the general public, is a precious national resource which has been allocated by channels freely in the past until the scarcity of available channels for new systems has become acute.

However, the modernization of our air traffic control and air navigation systems will be seriously jeopardized if limited by radio frequency allocation.

Although the Federal Communications Commission has statutory control over the radio spectrum, the Federal Government stations are not licensed by FCC. It conducts hearings on channel requests by non-government users, confirms the need for each requested channel as well as the amount of communications services subsequently radiated on the channels.

On the other hand, Federal Government channels are processed by the Office of Defense Mobilization and allocated by you. Within the ODM the government users more or less regulate themselves by committee—the Interdepartmental Radio Advisory Committee. About 130,000 station listings have been processed, with about 18,000 new actions per year which change, delete or add to these listings. Each of those require an expressed need in the public interest. The Federal Government agencies have been allocated approximately 50 percent of all available channels.

No Government official with an overall civil-military interest questions the stated need for a requested channel and no one monitors the usage of that channel to confirm the need for it.

All allocations are made on the basis of the kind of use the channels will serve. There is no monitoring or control on the number of transmitting devices which are actually used on each channel. Metropolitan areas are already experiencing serious interference caused by sheer numbers of equipment in use.

Several detailed and excellent studies have been made on the frequency allocation problems of the United States in recent years, and I do not pretend to have the competence of professionals in this field.

However, as the U. S. Radio spectrum, a national resource, becomes saturated, we are rapidly losing the flexibility needed to modernize all telecommunications. Aviation is one critical activity which is caught in this dilemma. There is a growing need for civil aviation frequency assignments which must be sought from the FCC. There is likewise a growing need for Government aviation frequency assignments which must be sought in the Office of Defense Mobilization and approved by you. Since there is only one radio frequency spectrum to conserve and allocate, one responsible agency might manage this problem more logically and efficiently.

Recommendation

That policies and organization be developed which establish clearer standards on the need for and the use of radio frequency channels, which permit a rapid re-inventory of allocated channels, a recapture of channels when their use becomes obsolete, and prompt equitable reassignment to new uses.

ACCIDENT INVESTIGATION

All forms of transportation which involve considerable speed and congestion cause an occasional tragedy.

Since the Federal Government has responsibility for air traffic control and safety of flight, air accidents must continue to be carefully investigated by Federal authority. The public has the right to know promptly the causes of such accidents. Furthermore, the public should be assured that the lessons learned from such tragedies result in specific corrective actions being taken promptly which will reduce the chance of further catastrophes.

At present, civil accident investigation is a responsibility of the Civil Aeronautics Board, a regulatory commission which should be primarily concerned with the economic regulation and promotion of commercial aviation. Accident investigation under the Board has resulted in very prompt correction of mechanical defects found in aircraft. The Board does not have a field staff of adequate size or competence to study aviation operations in order to anticipate potential accidents, and recommend steps to prevent them from happening. The collection of field data at the scene of the accident, interview of witnesses and experts, and the procedures of public hearings are carried out thoroughly at present, although at a very slow pace. The specific follow-up to correct other than mechanical failures is not a clear, responsible action assumed by any one agency. Initiative is not taken to experiment and correlate other technical field experience as a foundation on which to build improved regulations, procedures, and systems.

Lessons learned from air accidents which reveal outmoded or unclear safety regulations (written by the Civil Aeronautics Board as well) or traffic control procedures or pilot training and proficiency (responsibilities of the Civil Aeronautics Administration) do not result in prompt corrective actions. The responsibilities are diffuse and the Government cannot look to any one agency with the necessary authority to administer such corrective modernization.

The military services investigate their own accidents and are accountable to the Department of Defense. However, the growing chances of civil-military accidents or military accidents involving hazard to civilian lives and property, indicate that a closer relationship between military pilot training and observance of national flight rules and the modernization of such rules and procedures is mandatory.

Recommendation

That the function of air accident investigation be made the responsibility of the Federal Aviation Agency which should likewise be responsible for air operations, modernization of the airways, safety rule-making and enforcement. It should include the investigation of military air accidents involving civil-military aircraft or civil property.

This function should be lodged in a small group of persons selected by the Head of the Agency on the basis of established competence, from outside the Government. It should be known as the Air Safety Review Board. The Board should be housed in the Federal Aviation Agency and supported by an adequate staff to administer its work, and empowered to draw on all technical and operational skills of the Agency to assist it in investigation and analysis of accidents. It should report directly to the Head of the Agency and should supply analyses and recommendations appropriate to the improvement of safety rules, traffic procedures, criteria for training, the air traffic control system, and the correction of aircraft mechanical deficiencies.

CIVIL AIR REGULATIONS

The Civil Air Regulations consist of 39 large subject divisions which include rules governing the design, maintenance, and operation of aircraft; training and certification of airmen, and other flight personnel; mechanics, dispatchers and other ground personnel; commercial operations; air agencies such as schools; and air traffic and navigation. These have gradually accumulated into a large complex code. In addition, a set of twenty-eight manuals have been produced by the Civil Aeronautics Administration of rules, interpretations and policies in an effort to equitably administer the Regulations.

As a whole, the Regulations are voluminous. When supported by the CAA interpretive manuals they are too complicated for ready use by the 100,000 pilots and many others directly regulated by them. Commercial operators have found it necessary to condense, interpret and collect key regulations into practical manuals available and useful to their flight personnel.

The responsibility for issuing and administering the safety regulations is divided between two Government agencies: the Civil Aeronautics Board and the Civil Aeronautics Administration. The Board, a five-member commission which should be primarily occupied with the regulation and promotion of air commerce, issues and amends the Civil Air Regulations. The Administration, primarily concerned with operating the national flight services for all aviation, administers the safety regulations. This is an unusual situation, since the prevalent practice in the Federal Government empowers the agency which creates the administrative regulations likewise to enforce them.

The Civil Air Regulations have been modernized at a slow rate. Part 20, Airmen Certification, has recently been revised after six to seven years of consideration. Part 60, Air Traffic Rules, has been under consideration since about 1947. Any plan to change air traffic rules which affect all aviation must be based upon a regulation. This reveals perhaps the most serious dilemma arising from the present split in responsibilities.

Regulations must be modernized promptly to keep pace with the change in air activities. However, a regulatory change in air traffic rules cannot be effective until the CAA, responsible for operations, is prepared to implement the change. During the past ten years, we have watched many thousands of jet aircraft enter into our airways system. We have seen the speed of civil aircraft increase significantly and now civil jets are about to enter the system in quantities. Yet neither the CAA nor the CAB has the leadership responsibility in adjusting the rules and the system to accommodate them safely.

The Civil Air Regulations are created and amended by processes prescribed by the Administrative Procedures Act. The CAB collects the opinions of all interested parties and holds hearings on rule changes, if necessary. By such methods, it obtains background and generates regulations case-by-case. Very little systematic study, collection of field data or experimentation is brought to bear on the preparation of regulations. Consequently, many regulations are general and qualitative. Some are not regulations insuring safety since their interpretation cannot be established clearly enough to permit enforcement.

In the future, the Government must be assured that the agency responsible for the regulations is likewise responsible for creating the systems and operations which will accommodate them. This agency must have the capability of following the Administrative Procedures Act and hearing all interested parties in writing or amending the safety regulations. It must be able to actively draw on laboratories, field experimental facilities, and the experience of field staffs to gather facts bearing on its problems.

The Civil Air Regulations are inextricably enmeshed in the air traffic and safety inspection systems. They are, therefore, operating rules which must be capable of practical application and practical adjustment.

New or amended regulations should be issued in the name of the Head of the Agency assuming responsibility for them. These regulations should be prepared for him, following the applicable procedures, by a staff located at a high level in his operations branch, sufficiently close to draw on operational experience and analysis, but not under the control of persons responsible directly for day-by-day operations.

Recommendation

That the writing and amendment of all air regulations pertaining to safety be transferred to the Federal Aviation Agency, which is likewise responsible for operations, flight safety and air traffic system modernization.

The recommendation to transfer the safety regulatory functions from the Civil Aeronautics Board will not interfere with its primary task of economic regulation and promotion of air commerce.

The Head of the Federal Aviation Agency should likewise invoke penalties in cases of violation of the regulations. However, a right of appeal from penalties involving suspension or revocation of certificate should be available to the public. It is suggested, therefore, that the Safety Review Board, created to impartially investigate accidents for the Head of the Agency, should be empowered to hear such appeals and render final decision within the executive branch of the Federal Government.

AIR WEATHER SERVICES

The Weather Bureau, heavily augmented by military weather observers and global weather communications nets, has been our principal source of aviation weather data.

Even though aviation activities may place the most difficult and heaviest demands upon the weather service, it might seem improper at this time to recommend that the Weather Bureau and the military weather activities be attached to the Federal Aviation Agency in view of the broad and varied weather service supplied to the public. Nevertheless, there are several problems of sufficient gravity to be mentioned to you.

The functions of weather observation, forecasting and communications are engaged in by the military services, the Weather Bureau, the Civil Aeronautics Administration, and the airlines at many civil airports. The Weather Bureau has the statutory authority to fulfill the Government functions in this field. Therefore, in the interest of economy as well as stability and competence of personnel a stronger effort should be made to consolidate these large operations, possibly under joint civil-military administration. Clearly, the Weather Bureau has not been able in the past to elicit sufficient support to fulfill them alone. The problems in this activity correspond quite closely to those found in separate civil and military air traffic control activities.

Research in general weather phenomena, as well as in meteorological services, has been conducted on a relatively low level of effort. The military services, just as in air traffic control and navigation, have invested many times the funds and effort in this field as compared to that of the Weather Bureau. True, such effort benefits the public in a broader sense than aviation alone. Yet, aviation will in the future continue to require the most demanding service. Our ability in the future to consider such techniques as area navigation, flexible airways and scheduling the flow of increasing quantities of mixed traffic at terminal areas as possible solutions to our aviation problems will depend considerably on the freshness and accuracy of weather information. Consequently, strengthening of research in this area is important, in my opinion, even to consolidating all Government efforts if necessary.

The scheduled airlines and the military air operations have augmented extensively the Weather Bureau service with professional staffs and equipment to provide the degree of weather analysis and forecasting believed necessary to support economical and safe flight operations. On the other hand, the pilot in general aviation—private and business operations—must serve as his own weather analyst and interpreter, using what data is available from the Weather Bureau. This public group is larger by many tens of thousands than either the airlines or military personnel. Likewise, this group will grow most rapidly in the next twenty years. General aviation, being scattered throughout the country and operating independently of schedules, can scarcely depend upon commercial or private meteorological services. Safety of flight will continue to depend, for this group, on the correct interpretation of weather data to a much greater extent than for either airline or military pilots in the future.

Recommendation

That your Special Assistant for Aviation continue to examine the impact of weather services on the future management of the national aviation facilities, seeking specifically for clearly stated aviation requirements for such services, and for ways to support and strengthen them, even to the extent of consolidation of operations and of research if necessary.

EXHIBIT A

Functions of Federal Government Affecting Aviation Facilities

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1. Formulate and approve broad aviation policy.
2. Determine Federal responsibility—execution of policies.
3. Prepare and review aviation legislation.
4. Prepare long-range plans (10–20 years).
5. Approve long-range plans (10–20 years).
6. Issue directives executing long-range plans.
7. Establish national objective in air traffic control and navigation.
8. Review and approve budget.
9. Monitor progress toward established objectives.
10. Draft air safety regulations and collect public views.
11. Issue air safety regulations.
12. Decide appeals affecting safety regulations.
13. Interpret and administer air safety regulations.
14. Investigate air accidents.
15. Develop airport long-range plans.
16. Conduct research and development on airports.
17. Establish airport design criteria.
18. Establish standards for Federal Airport Act eligibility.
19. Monitor compliance with Federal Airport Act standards.
20. Design, construct airports and air traffic control installations.
21. Maintain air traffic control and navigation facilities.
22. Modernize installed facilities.
23. Establish or change designated airways and control zones.
24. Allocate airspace.
25. Prepare aeronautical charts.
26. Operate airway and approach control system.
27. Operate airport flight operations.
28. Collect air weather data.
29. Distribute weather forecasts.
30. Operate ocean stations.
31. Search and rescue.
32. Establish radio and navigation frequencies—aviation use.
33. Conduct operations research—air traffic control system.
34. Devise new air traffic control and navigation systems.

35. Conduct system gaming.
36. Conduct system simulation.
37. Conduct experimental equipment design and construction.
38. Conduct field experimentation—new systems.
39. Complete technical selections—new systems.
40. Coordinate Federal decision on new system.
41. Prepare performance characteristics.
42. Conduct equipment research and development.
43. Develop and test prototype equipment.
44. Procure equipment.
45. Prepare and issue air traffic control and navigation procedures.
46. Train operational personnel.
47. Prepare Plan: Use of Federal air traffic control and navigation systems in war.
48. Test war plan.

EXHIBIT B

Federal Aviation Policy Problems

1. Conversion of present civil air policy document into U. S. Policy acceptable for approval of the President.
2. Regularization of Federal, State and municipal aviation taxes and laws.
3. Federal vs. State sovereignty of airspace.
4. Review and coordination procedure on all navigation and air traffic control devices and systems.
5. Integration of civil airport development with long-range military airbase plans.
6. Long-range policy supporting development of civil airports.
7. Civil investment at airports and the recapture clause.
8. Orderly processing of joint-use airport cases integrated with airspace and air navigation considerations.
9. Federal sponsorship of airport design and experimentation.
10. Future relationship between military and civil uses of airspace for special purposes.
11. Airspace reservation over international waters.
12. Policy on telecommunications.
13. Federal support of economic analyses and trends in aviation.
14. Multi-lateral coordination of aviation legislation by Federal agencies.
15. Common civil-military standards for certification of noncombatant aircraft.
16. Common civil-military standards for training and certification of pilots and air traffic control personnel.
17. Future Government relationships with the aviation industry with respect to research and development, patents and proprietary rights, support of production, sponsorship of new aircraft.

SECTION IV

Financing Aviation Facilities

It is not practicable at this time to develop a meaningful cost estimate for the long-range airway and airport modernization program described in preceding sections of this report.

We have attempted, to the best of present ability, to estimate long-term future requirements, to state objectives, and to suggest the direction in which airway and airport development should proceed in order best to achieve these objectives. But we cannot at this time predict the specific nature of facilities that research and development will make available for this program—much less the number of such facilities that will be required, their location, or their unit cost. Nor can we now state the extent to which it may be possible, under this long-range program, to use or modify facilities that will already be in operation, under either Civil Aeronautics Administration or military programs.

It is precisely in order to find the answers to these questions that we have recommended the creation of the Airways Modernization Board. That agency—after the necessary research, development, and testing—will be able to fill in the details of the picture which is here sketched in only broad outlines. And it is then that the program, in detail, can be subjected to the normal budgetary review of the President and the Congress.

Notwithstanding the present impossibility of placing a definite "price tag" on this long-range program, it is clear that its cost will substantially exceed the recent level of expenditures in this field. The question naturally arises as to the appropriate division of financial responsibility for this cost. As in the case of the program itself, we can only point to the sound direction in which this matter of financing should move.

The question of financial responsibility must be viewed separately for the two main phases of the overall facilities program: airports and airways.

AIRPORTS

The primary responsibility for constructing, maintaining and operating civil airports has always rested with local governments. This is sound and logical. Airports benefit most directly the residents and shippers of the specific communities which they serve. It is reasonable that such communities should bear the primary responsibility for the establishment and improvement of their airport facilities.

Because there is also a national interest in the adequacy of our overall airport system, the Federal Government has for some time provided financial assistance for airport construction, through grants-in-aid to State and local governments. Unquestionably, such financial aid has been valuable in helping many communities to accomplish needed airport improvements more completely or more rapidly than would otherwise have been possible. Recent broadening of the Federal Airport Act—increasing the level and stability of the program's authorization—has reflected the sense of the Congress and the President that this Federal-aid program continues to be justified for the present.

For the longer term future, it can be expected that as the aviation industry further matures, more and more airports will become capable of self-support. Different types of airports will, of course, tend to reach this position at different times; the larger terminal airports should generally do so before those having less activity. Consistent with the progress toward self-sufficiency, the Federal Government should reasonably look forward to the eventual curtailment of direct financial participation in airport construction. Naturally, however, Federal financing will continue to be required for any special facilities established expressly for military use at civil airports.

Apart from the question of direct financial participation, the Federal Government has and should retain the responsibility for providing airports with any needed technical advice and assistance which will help assure the soundest possible national system of airports. Such technical assistance should include advice to communities regarding anticipated future requirements for airport capacity, as well as recommended standards for airport construction and design. In this capacity, the Federal Government can fulfill the important function of serving as a focal point for the national coordination of airport planning.

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AIRWAYS

In contrast with the inherently local responsibility for airport improvement, the airway system clearly must remain a function of the Federal Government. Indeed, the very nature of the airway system, and its use, precludes any feasible alternative to Federal operation. There must be a single national system of air navigation aids, capable of meeting the common needs of all users—military as well as civil. Only the Federal Government can assure the availability of such a Nation-wide common system.

The fact that the Federal Airways must be established and operated by the Federal Government does not, however, mean that the total cost of this system must be borne by the general taxpayer. On the contrary, it is appropriate that the users of these facilities bear a reasonable portion of the cost. As you recently stated in your budget message for fiscal year 1958:

> "Government aids to aviation confer substantial special benefits upon the users of the airspace. As the cost of providing these benefits rises, it becomes increasingly appropriate for the users to share with the general taxpayers in paying for them."

There appears in fact to be a growing acceptance of this principle, and this clearly is the sound goal which should be sought.

The question of airway user charges has been the subject of previous studies by the Department of Commerce, and is presently being reviewed by that Agency. The work thus far done in this area provides a wealth of factual and analytical material. In considering the relationship of previous studies to the longer range problems posed by the present report, the following points should be stressed:

1. The unique characteristics of the airways system make the development of a user charge program more complicated in this field than in virtually any other.
2. Previous studies have recognized these complexities. While final answers to all of the problems were not then available, it was, nevertheless, felt that sufficient information existed to warrant proposing an initial partial user charge program, subject to subsequent refinement of data, principles and techniques.
3. This approach remains valid today, with this important qualification: the anticipated major expansion in airway cost makes it correspondingly more important to resolve as fully and equitably as possible the various problems in this field before the user charge program is developed into its long-range aspects. Rough approximations, which may be acceptable for an initial program of limited financial impact, will not suffice when the airway program reaches the much larger levels expected a few years hence.
4. Recent developments have clarified the status of the present Federal tax on aviation gasoline as an existing form of airway user charge. Under the Highway Revenue Act of 1956, the gasoline tax paid by motor vehicle operators is now clearly treated as a highway user charge, and it follows that the corresponding tax on aviation gasoline should similarly be regarded as a presently effective airway user charge.

Thus, in practice, if not in law, the airway user charge program is already under way. The necessary legislative steps should be taken to give official recognition to this existing program. Further, it would be appropriate to consider an immediate, orderly increase in the level of this program, taking account of the current expansion in airway expenditures, while avoiding too sharp a financial impact on the aviation industry.

Beyond these immediate steps, there is need for extensive further study of the policy issues and administrative problems which must be faced before the user charge program can be satisfactorily adjusted for the longer term future. The development of a sound user charge program for publicly provided facilities is never simple. In the case of airways, it is complicated by special factors which, in large part, are peculiar to this field. Some of these factors are noted below:

1. *Use of the airways is difficult to measure accurately.* Airway use is less tangible, and hence less readily measurable, than the use of surface transport facilities. Much of the system consists of navigation aids continuously transmitting electronic signals that can be received by any suitably equipped aircraft within range of the signal. Unless such aircraft are operating under air traffic control procedures requiring contact with ground controllers, there is presently no effective way of measuring the use they make of the navigation system.
2. *Benefits derived by individual airway users bear little relationship to the Government cost incurred on behalf of such users.* While it costs the Government no more to provide navigation or traffic control services for a DC–7 than for a DC–3, the operator of the larger transport obviously stands to derive the greater benefit from the safety and regularity made possible by the airways. This lack of relationship between cost and benefit complicates the problem of equitably pricing the service in this field.
3. *The Government itself is a major direct user of the airways.* Even in peacetime, military aircraft account for a substantial portion of airway use, and the system must be designed to accommodate the combined needs of both civil and military users. This differs substantially from the typical situation in the case of surface transportation facilitites, and renders correspondingly more difficult the problem of determining the share of the total cost which should properly be recovered through user charges.
4. *Airway facilities are inseparably related to flight safety, which in turn is of concern to a much wider public than that directly using aviation services.* The promotion of safety for the user of the airspace necessarily carries with it the protection of life and property on the ground. In this respect, the airways provide a general "public benefit" which supplements the more specific benefit to the airway users themselves.
5. *A high proportion of civil airway use is accounted for by common carriers whose fares earnings—and hence ability to pay increased user charges—are subject to Federal economic regulation.* To whatever extent a present or future user charge program results in an overall increase in the cost of air carrier operations, this clearly is a matter which must be considered in determining fair and reasonable airline rates to the public. Thus, there is a need for assuring coordination between the Government's executive function of financing the airways, on the one hand, and its regulatory func-

tion of controlling airline fares and charges, on the other.

6. *By statute, and by repeated Congressional and Executive reaffirmation, it is part of national policy to promote the development of civil aviation.* This Federal assistance, though different in form, is not basically different in intent from that which has been provided in the past for other forms of transportation. Sound promotional policy does not conflict with the objectives of recovering from the users a reasonable share of the cost of the airways system. It does, however, emphasize the importance of timing this user charge program in such a way as to avoid an undue, adverse, financial impact on the industry.
7. *The advent of civil jet transports may affect the method of collecting user charges.* Past studies have consistently leaned toward a fuel tax as the preferred method for charging for airway use. With the high rate of fuel consumption anticipated for jet transports, a uniform, across-the-board gallonage charge for all aviation fuel may create problems of equity as between the users of piston and jet aircraft. Until there has been actual operating experience with commercial jets, it is impossible to state how significant a problem this may prove to be.

The preceding discussion, though raising various problems, is certainly not intended to convey a negative attitude toward user charges. Some of the problems may not lend themselves to precise mathematical answers, and may have to be decided on broad policy grounds. But with sufficient study, answers can be found and decisions can be reached.

In any event, the projected major expansion of the airway program, even over the next few years, would make it difficult for the Government to achieve immediate full cost recovery for this larger program. It would no doubt be found necessary to develop an expanded user charge program on a gradual "phase" basis, even if all administrative and policy problems were already solved. Therefore, the time required to explore the above-noted problems need not be time lost in relation to the ultimate attainment of a feasible user charge goal.

Recommendations

1. ***Legislation should be promptly enacted to give official recognition to the existing 2¢ tax on aviation gasoline and other excise taxes as a user charge. If some charging method other than a gas tax should be adopted for this program, then the existing 2¢ tax should be repealed upon the imposition of the alternative form of charge;***
2. ***Prompt consideration should be given to an orderly increase of the existing user charge. The amount of this increase can best be decided after the Department of Commerce completes its present study, and there is an opportunity to consider the financial effect of possible increases on all segments of the aviation industry;***
3. ***Immediate and continuing attention should be given to the special problems involved in the longer range aspects of an airway user charge program; and***
4. ***Procedures should be established to assure adequate coordination between the user charge program and the regulation of airline fares.***

This program can provide a logical basis for working towards the desired goal of reasonably distributing the financial burden of the airway program. It will establish immediate statutory endorsement of the principle of airway user charges. It will provide immediately for some increasing recovery of cost. And it will provide the continuing framework within which the user charge program can be developed into its appropriate long-term level and character.

As experience is obtained with the immediate charging program, and as decisions are reached on the policy issues raised by the broadened program, increasing information will also become available as to the specific nature and cost of the future airway system. The combination of this accumulating experience will provide the basis for assuring the most equitable user charge program for the long-term future.

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2. Social Security Legislation

ACTION:

With respect to the suggestion of the Secretary of Health, Education and Welfare that the Administration support legislation this session which would alter the wage basis of Social Security benefit calculation sufficiently to offset an increase in the benefits for those having already retired, the President expressed his feeling that although there might be some justification for adjustments to meet the increased cost of living, a preferable course of action would be to enlist wider support, especially among those whose concern is for pension systems, for a stable dollar, and for measures to curb future inflation.

Excerpts from

STATEMENT
By
Marion B. Folsom
Secretary of Health, Education, and Welfare
Before the Ways and Means Committee of the
House of Representatives
Monday, June 16, 1958
10:00 a.m., EDT

Library

* * *

PUBLIC ASSISTANCE

More than 5.6 million needy persons are now receiving monthly payments under the Federal-State program of public assistance. These include 2.5 million older persons, 2.7 million dependent children and their parents, 300,000 permanently and totally disabled persons, and 100,000 blind persons. The Federal funds requested for public assistance for fiscal 1959 amount to $1.8 billion, or 64 percent of the total budget of the Department of Health, Education, and Welfare.

* * *

Federal-State Relations

In recent years, a steadily increasing portion of total public assistance costs has been shifted from the States to the Federal Government. In 1946, State and local governments provided 60 percent of the costs of all public assistance. In 1957, their share had decreased to 50 percent. Counting only those programs in which the Federal Government participates--aid to the needy aged, blind, disabled, and dependent children--the State and local share of the cost has declined from 55 percent in 1946 to 45 percent last year. Since 1946 the welfare appropriations of State and local governments have dropped from 10.8 percent to 8.6 percent of their total expenditures. In this same period the Federal Government's expenditures for public assistance have increased by more than $1 billion until they are now three times as large as in 1946.

The shifting of public assistance costs to the Federal Government has been most pronounced in the high per capita income States which have greater ability to support their own programs. Several middle and low per capita income States have actually increased their effort in relation to their fiscal ability.

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Not only has there been an increase in the over-all Federal share, but the method by which this has been accomplished raises some serious questions. As you know, the formulas have been modified in 1946, 1948, 1952, and 1956, until today the Federal Government in the programs for aged, blind, and disabled persons, pays 80 percent of the first $30 of assistance payments on the average, and 50 percent of the remainder of each individual payment up to $60. If the monthly payment to an individual is $60, the Federal share is $39. But if the monthly payment is $30, the Federal share is $24 and the State or local share is only $6. Thus, in the States where payments are lowest, the Federal share is highest. In some of these States, the Federal share in the federally aided programs is now between 75 and 80 percent.

It seems to me this approach results in some serious disparities and inequities. The proportion of Federal support in any particular State is not necessarily related to the fiscal ability of the State or the need of persons for public assistance. The Federal share may be high simply because a State chooses to make only a limited effort for welfare purposes, and sets a relatively low standard of payments to persons in need. Or the Federal share may be high because the State has a large number of persons on public assistance who also are receiving OASI benefits and, thus, need only small supplementary amounts from welfare funds. Certainly there is no justification for providing the highest Federal share of public assistance payments in those very cases where the Federal OASI program already has substantially reduced the need.

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We should bear in mind that from the outset one of the fundamental concepts of this program has been that the separate States, not the Federal Government, should determine the scope of the program, set standards of need and eligibility, and actually operate the program directly or in cooperation with local agencies. I believe that a further general expansion of the Federal Government's financial share in these present programs, and particularly any further expansion under the present formula for Federal matching, is undesirable. I believe a more equitable and constructive approach, both from the standpoint of sound Federal-State relations and the humanitarian objectives of this program, would be to set the Federal share of funds more in accord with the fiscal abilities and the needs of the States. This concept would tend to provide more adequate assistance in the low-income States where human needs are often greatest.

* * *

OLD-AGE AND SURVIVORS INSURANCE

* * *

The growth of the system in recent years has been little short of remarkable. The number of persons receiving benefits has increased almost 4 times in the past 8 years. This year about $8-1/4 billion in benefits will be paid--as a matter of earned right--to an average of almost 12 million retired persons and their dependents, and to widows, orphans, and disabled persons. The system has been a great benefit not only to these millions of individuals but--particularly in this period of economic recession--to our economy and our society as a whole. Today, more than 9 out of 10 workers and their families have a foundation for economic security through this program.

Financial Condition of the System

Members of the Committee will be interested, I am sure, in the recent report of the OASI Board of Trustees, which presents revised short-term estimates and long-range projections on the operations of this program. The new figures generally revise downward the previous projections as to the growth of the OASI trust fund.

With benefits increasing more than had been expected, the trust fund is expected to decline from about $23 billion at the beginning of the current fiscal year to about $22-1/2 billion by the end of this month. This will be the first fiscal year in which the fund has declined since it was established in 1940. A further decline of about $1.1 billion is expected in the 1959 fiscal year. By the end of fiscal 1962, the trust fund is expected to be within a range of from $19.2 billion to $21.5 billion.

Under the intermediate-cost estimates, the trust fund would resume an upward trend after the scheduled tax increases take effect in 1965 and continue to grow for many years thereafter. This projection places the trust fund at about $24 billion in 1970, $32 billion in 1975, $44 billion in 1980, $52 billion in 1990, and $55 billion in the year 2000.

The temporary decline in the trust fund over the next several years is caused largely by a greater-than-expected increase in benefit payments. This is due largely to three short-term factors which have relatively little bearing on the financial condition of the system over the long-range future.

First, and most important, more benefit claims than expected have been filed by people who were first brought into the program by the amendments of 1954 and 1956, especially farmers. Many of these people were already past 65 and were able to qualify for benefits in a short period of time after they were first covered.

Second, more women than expected have chosen to take a reduced benefit at age 62 instead of a full benefit at age 65. This has no significant effect on the long-term cost of the system because on the average these women will receive the same total amount of money in the long run regardless of which choice they make.

Third, in the current recession some workers find it more difficult to keep or find a job; thus more of them than had been expected retire and apply for social security benefits. The recession also tends to reduce tax contributions to the system slightly below previous estimates.

* * *

... In view of the very long-range nature of the projections, and the many variable factors involved, the trustees have concluded that the old-age and survivors insurance program may be said to be in approximate balance on a long-term basis.

* * *

My own conclusion, on the basis of these figures, is that the system is in essentially sound financial condition for the foreseeable future and there is no cause for concern about the long-range financial condition of the program. The current unexpected downturn in the trust fund points up sharply, however, the need for careful and thorough study before significant changes are made in this program which is so far-reaching and complex. Certainly it is clear that there are no "surplus" funds available now, or in sight, to finance benefit increases; and it is therefore imperative, if we are to maintain the soundness and the integrity of the social security system, that any benefit increases be financed fully and immediately by increases in tax revenue.

We should bear in mind, also, that a decline in the OASI fund over the next five years or so, amounting in the aggregate to several billion dollars, had not been anticipated--certainly not a decline of such an extent at this relatively early period in the development of the system. While there will be, of course, ample funds to pay all benefits by drawing on the trust fund, I am concerned as to whether it is fair to future contributors for the workers during this period to be paying into the system considerably less than the current amount of benefits.

This question of whether, in the light of the new estimates, we will be contributing enough into the system over the next five years or so is one of the many issues now under study by the Advisory Council on Social Security Financing, established by Congress in the 1956 amendments. ...The report, as scheduled in the law, will be submitted at the end of this year.

* * *

I believe the members of the Advisory Council are exceptionally able and distinguished men, and their findings will be very important in considering how best to assure that the financing of the system will continue to be equitable, sound, and on a self-supporting basis.

* * *

Benefit Levels and Wage Base

The social security system has been adjusted from time to time to keep abreast of changing conditions and to reflect increasing experience and knowledge in this field. This flexibility and adaptability is one of the great strengths of the program.

As you know, the last general revision in the benefit structure and earnings base was made in the amendments of 1954, proposed by President Eisenhower and strongly supported by this Committee and by a large bipartisan majority in Congress. With the adoption of these amendments, I believe, the system generally was in excellent condition.

Since 1954, prices have increased 7.7 percent and wages on the average have increased 12 percent. As we examine the meaning of these changes to the social security system, it seems to me there are three items of particular interest.

The first of these is the "wage base"--that is, the limitation on the amount of annual earnings that is taxable and creditable toward benefits under the program. In the 1954 amendments, the wage base was set at $4,200. In 1954, about 44 percent of all regular male workers would not have had all their earnings covered by a $4,200 earnings base. Because of the increase in earnings since then, in 1957 about 57 percent did not have all their earnings covered. An increase in the earnings base to $4,800 would restore the same relationships established in the 1954 amendments.

A second consideration is the situation of the 5 million persons who were already receiving benefits when the amendments went into effect in September 1954. These benefits, of course, were based on earnings in prior years; and so the general increase since 1954 in earnings, in productivity, and in the standard of living of our people has not been reflected in the benefits of these 5 million persons. Further, while their benefit levels have remained constant, the consumer price index has increased by 7.7 percent since September 1954.

Third, let us look at the situation of the persons who are now just beginning to receive their benefits or who will become beneficiaries in the near future. For many of these, the picture is quite different. You will recall that the 1950 amendments provided for a "new start" in 1951 in computing average earnings on which benefits are based. This meant that earnings in prior years, which generally speaking would tend to be lower, would not have to be counted in computing benefits. Further, later amendments have provided that the five years of lowest earnings, even since 1950, can now be dropped out in determining the benefits a person receives. Also, the maximum earnings on which benefits are based were increased from $3,000 to $3,600 in 1951 and to $4,200 in 1955. As a result of all these provisions, many of the people retiring now find that their benefits are based only on their most recent, and generally higher, earnings. Because of these factors, there has been a substantial increase, on the average, in the level of benefits of persons recently coming onto the social security rolls. The average benefit of men who came on the rolls prior to the amendments in 1954 is now $65.90, while the average for those coming on the rolls in the last six months of 1957 is $77.94. It is therefore clear that the average benefit for persons retiring now is much more in line with the current wage and price situation than for those who retired some time ago. The same favorable factors which I have cited would also apply, of course, to persons retiring in the near future.

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It is always possible, of course, to raise the fundamental question of whether the general level of economic security to be provided by this system should be adjusted by across-the-board increases for everyone becoming eligible for benefits in the future, or by extending the protection provided by this system into fields which are not covered now. Any significant moves in this direction, of course, would require a substantial increase in tax rates. It is extremely important that such major changes in the social security pattern of our country have the benefit of the most thorough and searching study from every standpoint.

Traditionally, major changes in the social security program have been adopted only after intensive study by representatives of employees, employers, the self-employed, and the public generally, serving as an advisory council. If the Committee is interested in looking into some of these significant long-range changes, I believe it would be highly desirable to establish an advisory council to review the benefit structure and other major questions. Such a study now also would have the benefit of the findings by the Advisory Council on Social Security Financing.

* * *

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CI - 58-44/2

January 13, 1958

The White House

Washington

THE CABINET

OPERATION ALERT, 1958

For information of the Members of the Cabinet and their staffs, attached is a paper prepared by the Director of the Office of Defense Mobilization.

This paper, and its attached draft Program Memorandum describe OPERATION ALERT, 1958 as proposed by ODM with the assistance of the Inter-Agency Planning Group. The exercise this year is planned to occur in three phases, as set forth in the two papers.

The attached documents will form the basis for the discussion of this matter at the coming Cabinet meeting.

Maxwell M. Rabb
Secretary to the Cabinet

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THE CABINET

Subject: OPERATION ALERT 1958

Discussion: The plans for Operation Alert 1958 have been prepared by the Office of Defense Mobilization, with the assistance of the Inter-Agency Planning Group. The plans take into consideration those matters of major significance identified in Operation Alert 1957 as needing priority attention under an attack situation. These may be summarized as follows:

a. State and local planning action--(the determination, on the basis of their own resources, of the kinds of assistance state and local governments will need from the Federal Government to cope with their state and local situations, and in dealing with each other);

b. State-Federal relations--(utilization of state and local authority, services, and resources; maintenance of law, order, and controls; means of providing assistance to state and local governments within national policies);

c. Emergency management by the Federal Government--(central programming, organizational relations, responsibilities, functions, and lines of authority at national and regional levels).

The exercise will be designed to realistically portray the results of a direct nuclear attack on the United States. The action theme will be to develop, during the simulated period of time when human activity might be reduced to a minimum due to fallout hazards, a blueprint of actions that should be taken as rapidly as the decay of radioactivity in geographical corridors of the country would permit. This will require determinations as to how the situation should be dealt with and evaluations as to the feasibility of the proposed measures for coping with the situation.

For the guidance of state and local governments, an unclassified exercise document will be prepared, containing policy guidance, and a general outline of plans and actions for an attack situation. In order to obtain the most effective results from the state and local exercise, it is recommended that the state governments be asked to summarize at the conclusion of their exercise (1) the excess of significant resources available to them over and above their own requirements, (2) the kinds of Federal assistance in way of resources, services, and controls they will need, (3) the mechanisms presently existing in state and local governments which could be utilized in the administration of Federal assistance, and (4) the preparedness measures which, if taken pre-attack, would have made their post-attack job more manageable.

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In order to focus attention on principal problem areas, the exercise will be conducted in three phases:

May--Attack Phase: State and local civil defense operations dealing with the local attack situations, including Federal field participation, as appropriate.

July--Federal Action Phase: Federal Government operations at relocation sites, examining the validity of States' requirements and determining ways and means to meet demands within current plans and program guidance.

September--Evaluation Phase: A small group, from each agency, having responsibility and authority for emergency plans and operations will be convened at High Point to examine the validity, feasibility and consistency of operational measures taken during the first two phases, and to evaluate the adequacy of current policies and program guidance for meeting an attack situation.

It is recognized that this type of exercise will require certain of the agencies to participate in each of the stages. However, the personnel would not necessarily be the same and it will serve to extend the emergency planning experience to the field operations of the federal agencies.

Attachment: Program Memorandum X-14, January 20, 1958,
Subject: Operation Alert 1958.

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ATTACHMENT

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
Washington 25, D. C.

January 20, 1958
PROGRAM MEMORANDUM X-14

TO HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Operation Alert 1958

1. The purpose of "Operation Alert 1958" is to examine the readiness of the nation at local, state and national levels to meet a direct nuclear attack on the United States.

2. Objectives of the exercise are:

A. To improve national readiness by--

(1) Local and state governments evaluating, on the basis of their own resources, their capabilities to cope with the attack situation and determining the kinds of Federal assistance needed and how such assistance would be utilized.

(2) The Federal Government determining its capability to meet demands arising from the attack and examining the adequacy of Federal Guidance and Mobilization Plans to meet the attack situation.

B. To determine what significant preparedness measures, if taken pre-attack, would make the post-attack job more manageable.

C. To train personnel in local, state and federal governments in habits of thinking needed to cope with emergency conditions.

3. The exercise will be conducted within the scope of Mobilization Plans and Federal Guidance (Central Programming) furnished to federal, state and local agencies.

4. The situation on which the exercise is to be based will be a direct nuclear attack on the United States, with tactical warning only.

5. The exercise will be conducted in three phases, as follows:

Phase One--Attack Phase:

Time--May 6-7.

Participation--State and local civil defense organizations and supporting personnel including field personnel of federal agencies, as appropriate.

Activity--State and local civil defense emergency actions, including public participation, damage reporting and assessment, and local and state survival and recovery actions. States to determine the kinds of Federal assistance needed and report any excess of resources over and above their own requirements.

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Phase Two--Federal Action Phase:

Time--July 14-18.

Participation--Federal agencies (field, region and departmental).

Activity--Activation of relocation sites at field and region July 14th, and at departmental and agency headquarters July 16th. On July 14-15 field and regional activities will be conducted independently. The validity of States' needs will be examined, as well as ways and means for meeting such needs within current plans and program guidance. On July 16-18 the departmental relocation sites will be in operation and in communication with regional and field offices.

Phase Three--Evaluation Phase:

Time--September 15-16-17.

Participation--A small group, from each agency, having responsibility and authority for emergency plans and operations will be convened at the ODM relocation site along with selected regional representatives.

Activity--Examining the validity, feasibility, and consistency of operational measures and the adequacy of policies and central programming guidance.

6. Guidelines, assumptions and administrative instructions for the exercise will be developed with the assistance of the Inter-Agency Planning Group.

THE WHITE HOUSE
WASHINGTON

June 3, 1958

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

Four years ago the Civil Service Commission issued, as Chapter A4 of the Federal Personnel Manual, guides for determining the nature and scope of agency personnel programs. The introduction to this chapter states the following principles:

> "The economical and efficient operation of the Federal Government depends on the quality of its employees, their interest and devotion to their work, their working environment and the effectiveness of their leadership.
>
> "In addition to fulfilling legal and administrative requirements, it is a fundamental obligation in personnel management to establish and maintain a situation in which employees, working together, will be stimulated to give their utmost in the service to the public.
>
> "Essential to the effective operation of all personnel management activities are means for communication and employee participation in order to achieve effective interchange of information and ideas between individuals and groups at all levels."

The standards set forth in Chapter A4 have provided the basis for the establishment of sound personnel management programs by the departments and agencies of the Executive Branch. These standards require that agency personnel policies provide for (a) the solicitation and consideration of the views of supervisors and employees (including employee organizations) in the formulation and adjustment of personnel policy, (b) the development of a climate which encourages employees and their representatives to consult effectively with management, (c) protecting the right of employees to organize, join, or refrain from joining lawful organizations of their choice and cooperating with employee groups whose interests are identifiable with those of the agency, and (d) the establishment and maintenance of a simple, adequate method for handling grievances and appeals which recognizes the right of the employee to designate a representative of his choice in presenting his grievance. Specific standards for the formulation of agency grievance procedures are provided in Chapter E2 of the Federal Personnel Manual.

Substantial progress has been made by many Federal agencies in the field of employee-management relations since these guides were issued. Agencies have formulated and issued personnel policies consistent with the standards established. However, there is evidence that continued improvement is still needed, particularly in the area of working relationships between agencies and employee groups.

The establishment and maintenance of good employee-management relations requires cooperation and acceptance of responsibility by both parties for taking all available measures to remedy situations that need correction. It is essential that all agencies, in carrying out their personnel policies, adhere to the spirit as well as the letter of the standards established by the Commission. It is equally important that employee organizations accept their responsibility for consultation and action in good faith and for calling to the attention of appropriate administrative officials instances in which they believe the spirit and intent of the policy are not being followed. The degree to which there is acceptance of this mutual responsibility will determine the effectiveness and quality of our management-employee relations.

To be sure that all levels of management throughout the Executive Branch are accepting their responsibility for effective employee-management relations, the head of each department and agency in the Executive Branch is asked to evaluate the personnel management activities of his own agency with respect to employee-management relations, including relations with employee organizations. The Civil Service Commission is requested, as part of its regular inspection, to review the personnel policies and procedures adopted by each agency in accordance with Chapters A4 and E2 of the Federal Personnel Manual, and to report periodically to this office on their utilization and effectiveness.

Rocco C. Siciliano

Rocco C. Siciliano
Special Assistant to the President
for Personnel Management

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CP - 58-82/1
May 31, 1958

The White House

Washington

THE CABINET

Standards and Procedures for the Utilization of Public Advisory Committees by Government Departments and Agencies

For consideration by the Cabinet, attached is a revision of the earlier paper on this subject, prepared by the Attorney General.

This paper is put forth in fulfillment of the assignment incorporated in Cabinet Record of Action 37, Item 2 (November 16, 1955). If approved, it would serve in place of a possible Executive Order, such as the draft circulated by the Bureau of the Budget on December 7, 1955 (the agency comments on which should now be reviewed).

The revisions in this document have been made beginning on page 2; they are based upon the comments and suggestions received from the Departments in response to the earlier paper.

The purpose of this paper is to set out in a fashion no more formal yet no less specific than a Cabinet document the principles which should guide all Department and Agency heads in utilizing public advisory committees. The intent is not to close off any avenues of advice to the Executive Branch but rather to ensure that these valuable public groups are employed by the Federal Government with full regard for the Constitutional and statutory responsibilities of the Executive.

Further comments on this paper are welcome (they should be telephoned to Mr. Harold H. Healy, Jr., Executive Assistant to the Attorney General, Code 197, ext. 299). Unless these comments raise major new questions of principle however, it is expected that this paper will be scheduled on the Agenda of the next Cabinet meeting for the concurrence of the Cabinet and the approval of the President.

Robert Gray
Secretary to the Cabinet

CABINET PAPER
For Consideration

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May 31, 1958

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THE CABINET

Standards and Procedures for the Utilization of Public Advisory Committees by Government Departments and Agencies

Problem:

Adoption of uniform standards and procedures for the utilization of public advisory committees by Government departments and agencies.

Background:

Since World War I, the Executive Branch has increasingly called upon advisory committees, comprised in whole or in part of members drawn from private life and serving without compensation, for advice in the formulation of policies and programs. Advisory committees serve as a vital means of communication between the public and the Government. The advice and recommendations obtained through advisory committees are of indispensable aid to effective Government operations.

A continuing objective has been to promote the maximum effective use of such committees while avoiding antitrust or conflict of interest problems.

The Department of Justice has from time to time advised other departments and agencies concerning the application of antitrust and conflict of interest laws to public advisory committees. On October 19, 1950, the Deputy Attorney General suggested to the defense agencies five criteria to be followed in the formation and operation of advisory committees composed of industry representatives. These criteria, drawn up over a period of years, had their origin in the early 1920's when Secretary of Commerce Herbert Hoover sought the views of the Attorney General in relation to the utilization of trade associations for consultive purposes.

These same criteria formed the basis of a draft Executive order discussed by Attorney General Brownell at the Cabinet meeting of November 15, 1955. By action taken at this meeting the Attorney General was asked to "Bring together for subsequent Cabinet discussion principles which might provide the basis for greater uniformity of practice in the Executive Branch, without a commitment to any formalization of such principles." (RA-37, November 15, 1955). In order to carry out this directive, the draft Executive order was circularized through the Bureau of the Budget to afford the interested departments and agencies an opportunity to express their views on the proposed criteria.

Meanwhile, extensive hearings on industry advisory groups were held in 1951 and in 1955 by monopoly and antitrust Subcommittees of the House Judiciary Committee. In H. Rept. No. 576, 85th Congress, 1st Session, the Committee on Government Operations estimated that the number of public advisory committees which should be subjected to regulation along the lines set forth in the five criteria was between 1700 and 1800, but that over 50% of those committees were subject to little or no regulation (p. 4).

Legislation (H. R. 7390) has been introduced in the current Congress, which would apply to all public advisory committees standards and procedures similar to those recommended by the Department of Justice, but on a mandatory basis and without provision for any exceptions. This bill has passed the House and is now pending action by the Senate Committee on Government Operations. The Administration has generally opposed the proposed legislation on the ground it is unnecessary and lacking in flexibility.

Recommendation:

In order (i) to minimize antitrust and conflict of interest problems in the use of public advisory committees, (ii) to achieve that result through uniform standards and procedures applicable to all departments and agencies of the Executive Branch, and (iii) to obviate any need for legislation in this field, it is recommended that the following standards and procedures be adopted for the utilization of public advisory committees by all government departments and agencies:

1. (a) All departments and agencies shall in their utilization of public advisory committees be governed, to the extent consistent with law, by the following rules:

(1) Such committees shall be specifically authorized by law, or the head of the department or agency shall find that such committees, or the use of such committees, are necessary in connection with the performance of certain duties imposed by law.

(2) The functions of such committees shall be solely advisory and any determination of action to be taken, based in whole or in part on such advice, shall be made solely by the proper Government official, or officials.

(3) Committee meetings shall be at the call of the Government, and the agenda for the meetings shall be formulated by the Government.

(4) Committee meetings shall be under the chairmanship or co-chairmanship of a full-time salaried Government official who, however entitled, shall have the responsibility for keeping the meeting within the agenda and the authority to adjourn the meeting if he feels it is being improperly used.

(5) Comprehensive minutes of each meeting shall be kept, and the Government representative shall certify that such minutes are accurate.

(b) Each public advisory committee which is composed, in whole or in part, of members or representatives of an industry or industries, or portions thereof, shall be, so far as possible in the context of the purpose of the committee, representative of the entire industry or industries, or portions thereof. Such representation shall be accomplished by taking into account such factors as size, location, affiliation, and industrial function of the components represented. Selection of industry members shall, unless otherwise provided by statute, be limited to individuals actively engaged in the industry or industries concerned, except where the department or agency head deems such limitation impracticable for effective committee operation.

2. The head of each department and agency may prescribe additional regulations with respect to advisory committees not inconsistent herewith.

3. As used herein, the term "public advisory committee" means any committee, board, commission, council, conference, panel, task force, or other similar group (including all sub-committees or other subgroups thereof) that is formed by any department or agency for advice or recommendations sought by the Government and that is not composed wholly of United States Government full-time salaried employees. The term also includes any committee, board, commission, council, conference, panel, task force, or other similar group (including all sub-committees

or other subgroups thereof) that is not so formed, but only during any period when it is being utilized by any department or agency for such advice or recommendations in a manner similar to that which would be employed in utilizing public advisory committees formed by the Government.

4. The standards and procedures herein provided shall not apply to any public advisory committee for which the Congress has by statute specified the purpose, composition, and conduct (such as selection of chairman or holding of meetings) unless the Congress has specifically given the President the power to prescribe rules for such committee. Nor shall they apply to any public advisory committee composed wholly of persons from charitable, religious, educational, civic, social welfare or other similar non-profit organizations or to any local civic committee whose primary function is that of rendering a public service other than giving advice or making recommendations to the Government.

5. The head of a department or agency may exempt any public advisory committee formed or utilized by such department or agency from compliance with one or more of the standards or procedures enumerated above by filing with the Secretary of the Cabinet a statement setting forth (a) the scope of and reason for such exemption, (b) the purpose and activities of the committee and (c) the names of the members of the committee and their business or professional affiliation. At the end of each succeeding six-month period from the date of such filing, there shall be filed with the Secretary of the Cabinet a statement showing all changes that have occurred in the activities of the committee and in the business or professional affiliation of its members.

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Patterson to Robert Gray

Gilligan to Director of OCD

to A.J.Goodpaster

ation CP-58-45 re Emergency

ray to Heads of Departments
re Emergency [illegible]

Order 11652 governing access to national security information.
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CABINET PAPER—PRIVILEGED
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CA - 58-108

June 12, 1958

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The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, June 13, 1958

1.	Emergency Action Papers	(CP - 56-45; Director Gray's memorandum of May 22, 1958)	The Director, Office of Defense Mobilization (See Tab 1)
2.	Discussion of the Federal Employees Pay Bill	(Oral)	The Special Assistant to the President for Personnel Management
3.	Proposal for a Commission on Federal Employee Pay Systems	(CP - 58-61/4)	The Special Assistant to the President for Personnel Management (See Tab 3)
4.	Implications of Our Debt Management Program	(Oral)	The Secretary of the Treasury The Under Secretary of the Treasury for Monetary Affairs

Robert Gray
Secretary to the Cabinet

CABINET PAPER
For Action

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-11-76

~~CONFIDENTIAL~~

MINUTES OF CABINET MEETING

June 13, 1958
9:10 A. M. - 10:30 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Anderson
Sec. McElroy
Atty Gen Rogers
PMG Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Stans
Mr. Gordon Gray
Dr. Saulnier

Under Sec. Treasury Baird, in part
Under Sec. Labor O'Connell, in part
Adm. Strauss, in part
Mr. Ellsworth, CSC, in part
Mr. Joseph Winslow, in part

Gov. Adams
Gen. Persons
Mr. Morgan
Dr. Hauge
Gov. Pyle
Capt. Aurand, in part
Mr. Hagerty, in part
Mrs. Wheaton
Mr. McPhee, in part
Mr. Siciliano
Mr. Randall
Gen. Goodpaster
Mr. McCabe
Mr. Robert Gray
Mr. Patterson
Mr. Minnich

The President called attention to a "fascinating" book he had just been reading on the religious background of the Nation's founding fathers, brought out by Norman Cousins. Sec. Dulles joked that at first he had thought the President might be going to refer to the latest "love letter" from Mr. Khrushchev -- 18 pages long. This inspired the Vice President to remark on the great worth of the statement made by Sec. Dulles to the Foreign Relations Committee. The Secretary pointed out that the President was practically the co-author of that statement. The President then urged that every Cabinet member ought to send to the White House for circulation to the entire Cabinet any address or statement of major significance. This could be most helpful provided the Cabinet member marked the significant portions so that they were not lost in the bulk of such material. Gov. Pyle indicated that the machinery to handle such a circulation was being developed.

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-11-76

Cabinet Minutes, June 13, 1958 - page 2

Emergency Action Papers -

Information concerning national defense has been excised from this page by the Eisenhower Library staff.

Pay Bill - Mr. Siciliano recounted the provisions of the new classified pay bill, noting particularly that all Schedule C supergrade appointees in the future would have to be reviewed by the Civil Service Commission as to the qualifications of the prospective appointee (Executive Office and Presidential appointees would be exempted). He also noted that the Commission already had twice as many requests for new supergrade positions as were provided by the bill.

In discussion of the difficulty of setting standards for Schedule C appointees, Mr. Ellsworth made clear that the Civil Service Commission would not judge the relative qualifications of various individuals for a particular job but would merely determine whether a given individual was qualified to fill the responsibilities of the job, that in time a pattern of standards would probably develop, and that of course Civil Service was already engaged in determining whether a particular job merited a supergrade rating.

The President believed that the Administration would be able to live with this provision but that it might create great difficulty for some future Administration especially when the basic purpose of supergrades was to give an Administration flexibility in filling policy making positions.

Mr. Stans pointed out that the retroactive pay would actually be distributed in FY 1959, hence 1958 expenditures would be less than expected and 1959 would be greater.

Sec. Benson inquired as to the relationship of this bill to the major pay system study listed next on the Agenda. Sec. Dulles quickly commented that the classified people he knew had already spent the raise.

The President concluded the discussion by stating that his decision on the postal pay and rate bill had been very close, and that he was extremely weary both of unnecessary Congressional proposals for spending millions and billions of dollars and of having to give way on an item costing millions of dollars in order to get some other thing so necessary as postal rate increases.

Commission on Pay Systems (CP 58-61/4) - Mr. Siciliano stated that a letter was being cleared among the agencies concerned for subsequent

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By GHC NLE, Date 8-11-76

consideration by the President to send to the Congress recommending the establishment of a study commission to review the many diverse pay systems within the entire Government and to make recommendations for timely accomplishment of pay adjustments in the future. He believed the commission would require about a year for its study.

Sec. Dulles felt that the Foreign Service should not be included in any such study because of its unique character where payment was made to the person rather than to the job. He believed that any commission subsequently established, competent generally in the field of governmental pay, would not have the special competence necessary to study the Foreign Service. Mr. Siciliano thought it would be difficult to exclude one particular system when the request was being made for a general study, but noted that the draft letter did contain a reservation of sorts regarding the Foreign Service which gave reason to expect that a study commission would not become involved with the Foreign Service. After further discussion the President saw some similarity of the Foreign Service to the military service and thought that the Foreign Service ought to be exempted if the military service would be exempted. He stated that he would discuss this further with Mr. Siciliano and the Bureau of the Budget.

Debt Situation - Sec. Anderson and Mr. Baird gave a lengthy presentation on the handling of the national debt. Sec. Anderson emphasized the frequency with which the Treasury had to go into the market because of the short term of much of the debt. He stated that the debt naturally tends to have an ever-shorter term and that consequently the Administration must consistently endeavor to increase the term. He stated that frequent excursions to the market were extremely upsetting to counties, cities, and universities that had to compete for investment funds. He emphasized also the interest among foreign governments as to our debt management policy, particularly since the United States is constantly urging other governments to adopt sounder policies in the management of their dollars.

Mr. Baird amplified Mr. Anderson's remarks, pointing out that Treasury had gone to the market 11 times last year because of the tightness of the debt ceiling, that Treasury hopes to get by on 8 issues this year, and may be able to get down to 5 or 6 by 1960.

The President asked Dr. Saulnier whether mortgage money was becoming more readily available and was informed that rates are now coming down and that new starts will soon exceed the one million mark.

In reply to an inquiry from the Vice President, Sec. Anderson said that various people had different opinions as to the impact on the economy of Treasury efforts to increase the term of the debt. He believed that should Treasury attempt, as some urge, to drive down too far the rate on long term loans, it might dry up the availability of funds for long term industrial investment.

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E.O. 11652, Section 1
By DHC NLE, Date 8-11-76

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Labor Legislation - Sec. Mitchell reviewed the history of labor legislation this year, asserted that the Kennedy-Ives bill omitted most of the protective devices recommended by the Administration to help union members, and believed that the bill as it now stands would be a great disappointment to all who sought to give greater protection to workers. He cited a number of technical shortcomings of the bill -- which exempted 60% of all unions, failed to require that reports be made available to union members, did not give subpoena power to the Secretary of Labor, and weakened Taft-Hartley by voiding some reporting requirements. He stated that the Senate had already accepted several Administration amendments and that further efforts would be made to strengthen this bill. Sec. Mitchell saw one danger in the possibility that certain labor reform enthusiasts might offer some extremist amendments which could foreclose the possibility of constructive action.

LAM

L. A. Minnich, Jr.

Copies to:
- Mrs. Whitman ✓
- Mr. Robert Gray
- Mr. Minnich

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

Mr. Martin June 10, 1958

Mr. Harlow BH

Mr. Anderson J.Z.A.

Mr. Morgan GDM

Mr. McCabe NONE — EAM

General Persons would like to know if you know of anything which should be brought before the Cabinet as suggested in the attached memorandum.

Ferne Hudson

THE WHITE HOUSE
WASHINGTON

June 10, 1958

MEMORANDUM FOR GENERAL PERSONS

FROM: Robert Gray Bob

SUBJECT: Cabinet Plans

Now that the legislative session is beginning to approach its final laps, there may be matters concerning your legislative program on which you would wish to have Cabinet discussion.

There will be no Cabinet meeting on June 20th. We could make room for an item on this week's agenda, however, or at one of the meetings following June 27th.

Would you like me to reserve some time this Friday or at a subsequent meeting?

CABINET PAPER—PRIVILEGED CP - 58-61/4
Property of the White House—For Authorized Persons Only June 12, 1958

THE WHITE HOUSE

Washington

THE CABINET

Proposal for a Commission on Federal Employee Pay Systems

For consideration by the Cabinet, attached is a paper prepared by the Special Assistant to the President for Personnel Management.

The attached paper is in the form of a Presidential Message to the Congress proposing the establishment, by legislation, of a Commission to study the wage systems and methods of pay-setting now existing in the Executive, Legislative and Judicial Branches of the Federal Government.

It would be understood that in the course of its work, the new Commission would take into account and use the products of the several groups which have heretofore studied specific aspects of this more general subject, e.g. including the Reports of the Commission on Judicial and Congressional Salaries, of the Committee on Scientists and Engineers for Federal Government Programs, of the Defense Advisory Committee on Professional and Technical Compensation, and of the Interdepartmental Committee on Civilian Compensation and Pay Systems Within the Executive Branch.

The attached paper is submitted for the concurrence of the Cabinet and the approval of the President, whereupon it will be discussed with the Congressional Leaders and transmitted to the Congress in the immediate future.

Robert Gray
Secretary to the Cabinet

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CP - 58-61/4
June 12, 1958

THE WHITE HOUSE

Washington

THE CABINET

Proposal for a Commission on Federal Employee Pay Systems

TO: President of the Senate
Speaker of the House

The manner in which the Federal Government compensates its employees is a matter of major concern to the taxpayers of the United States, to each of its employees and to the Government itself. A sound salary system should be compatible with sound business practice, reasonable as to cost, and should insure equality of pay treatment to all employees. There is increasing evidence that the pay policy of the Federal Government falls short of these criteria.

During recent years it has become more and more difficult for the Federal Government to recruit and retain really competent employees because its salary scales have not remained competitive with those of non-federal employment. The recent debates in the Congress on the Postal and Classified Pay Bills have emphasized the problems inherent in the system which depends exclusively on the legislative process for the periodic adjustment of salary schedules. A number of Members of the Congress have expressed the need for a better way of adjusting the pay of Government employees.

It has been more than 30 years since the last comprehensive review of the various systems used to fix the pay of Federal employees was made. During this period the size of the Government and the complexity of its activities have increased enormously. As new activities were added, new pay systems were created.

It is estimated that there are now at least 77 different pay plans in the Executive Branch. Nearly a million employees under the Classification Act and another one-half million under the Postal Service have their pay fixed and adjusted by statute. Another large group, the 770,000 blue collar employees, have their wages adjusted from time to time by the heads of employing agencies in accordance with prevailing rates. Of the many smaller systems, some are on a statutory pay basis and others are paid rates fixed by the head of the agency. When the agency head fixes the rates he operates under statutory restrictions which vary from one system to another. It has been found that there are more than 300 different statutes bearing on the pay of Federal employees.

Adjustments in the salaries of most white collar workers over the past ten years have been made on the average of once every two and one-half years. Blue collar workers, on the other hand, average one adjustment annually, and the total percentage of increase thus realized by blue collar workers is considerably in excess of that realized by white collar workers whose pay is fixed by statute. As a result white collar heads of some establishments, whose pay has not kept pace with non-Federal pay rates, have fallen below the pay of their blue collar subordinates. And that is just one generalized example of the many inconsistencies among the many systems.

CABINET PAPER
For Consideration

The inadequacy of Federal pay rates, at least for certain levels and kinds of work, has been demonstrated; and the Government has sought to patch up this situation with special pay provisions for certain groups such as Public Law 313 rates for scientists and technical personnel, and Section 803 of the Classification Act authorization of higher rates for hard-to-recruit categories. Whether such patch work is effective bears some inquiry. What such patch work does to the basic principle of equal pay for equal work is a matter of even greater concern.

The fact of the matter is, the Federal Government has no comprehensive, uniform pay policy. Some systems base salary rates on the degrees of difficulty and responsibility of the job, but recognize no difference between individuals with minimum qualifications and those of above average ability on the job. Others, such as the Foreign Service and Veterans' Administration Medical and Surgical Service set the salary on the basis of the personal qualifications of the individual.

For those positions where salary is established by statute there are no clear-cut criteria for determining when pay adjustments are necessary or the amount of adjustment to be made.

The periods between pay adjustments vary from annually for most wage board employees to an average of every 20 years for members of Congress, Federal Judges, and members of the President's Cabinet. This rigidity in the pay of top government officials has had the effect of depressing the salaries of career employees in the upper grades with the resulting gradual but progressive distortion of what were originally sound salary structures.

In summary, periodic revisions of the Classification Act salary schedule, the granting of numerous exemptions, and the development of new categories of employees all have resulted in a variety of pay systems, a lack of sound relationship among the salaries of various groups, and a failure to provide equitable treatment for all Federal employees. This piecemeal approach results in an excessive demand on the time of Congress and subjects it to a variety of pressures. This lack of coordination in the adjustment of various groups of Federal employees results in inequities and adversely affects the government's ability to recruit and retain the number of qualified people necessary to conduct the Nation's business in an efficient and satisfactory manner.

In recent years a number of groups have studied the pay problems of various segments of the Government. These groups include the Commission on Judicial and Congressional Salaries, the Defense Advisory Committee on Professional and Technical Compensation (Cordiner Committee), and the Committee on Scientists and Engineers. The most recent study, covering the pay systems within the Executive Branch, was completed last Fall by an Interdepartmental Committee on Civilian Compensation and Pay Systems within the Executive Branch. Most of the facts cited above have been drawn from this report, copies of which will be made available to the Congress.

All of these studies have made some sound recommendations for correcting some of the deficiencies of the Federal pay systems - but few of them have been adopted. None of them dealt with the compensation policy of the Federal Government as a whole. What is needed is a comprehensive all-inclusive study of the pay systems ofall three Branches so that the interrelationships of the various systems can be explored and recommendations made to achieve a high degree of coordination amont them. I am convinced that the formulation of a sound comprehensive Federal compensation policy can be accomplished only through joint Legislative-Executive action based upon an over-all study of this kind.

Therefore, I propose:

I. That there be established a Joint-Commission on the Civilian Employee Compensation Policy of the Federal Government. The Commission to be composed of twelve members:

Four representing the Executive Branch - to be appointed by the President.

Four representing the Public - to be appointed by the President.

Two Senators - to be appointed by the President of the Senate, and

Two Congressmen - to be appointed by the Speaker of the House.

II. That an adequate working fund be appropriated to enable the Commission to engage the services of experts from outside the Federal Government, and for the appointment of an Executive Director and necessary staff. The Commission should be authorized to draw upon the facilities and personnel of any of the agencies of the Government.

III. That the Commission be instructed to study all systems of compensation for employees and executives of the three branches of the Federal Government with the view of recommending a compensation policy which will insure equitable pay treatment for all employees and provide sufficient inducement for qualified individuals to enter and remain in the employment of the Federal Government.

IV. That the Commission be instructed to complete its studies and submit a report to the President and to the Congress, together with drafts of such legislation as may be necessary to carry out its recommendations, within one year from the date of its appointment.

V. Specifically, the Commission should:

A. Consider the findings and recommendations of all the previous studies of Federal compensation systems which the Commission believes pertinent. In addition, the Commission should conduct any other studies necessary to provide itself with relevant and up to date information regarding all existing salary structures within the Federal Government.

B. Upon completion of its studies the Commission should:

1. Recommend a set of basic principles to be followed in setting up a sound compensation structure, including principles for determining the proper number of grade levels, within grade salary ranges and between grade differentials (an illustrative salary schedule which embodies the principles could be drafted).

2. Recommend a basic principle for salary determination and a method for periodically adjusting salaries as necessary.

3. Recommend principles for the establishment of a sound system of job evaluation.

4. Recommend a policy for determining under what circumstances a special pay system (e.g., Foreign Service) is needed, its program and geographical coverage and its structural characteristics.

5. Define the relationships which should exist among the various pay systems for career employees sbetween career employees and political executives, and among positions in the Executive, Legislative and Judicial Branches of the Government, and a method of maintaining the appropriate relationship over time.

6. Recommend a basis for determining the relative importance to be accorded to the various elements of compensation, such as retirement insurance and similar fringe benefits.

7. Recommend a policy for determining the conditions under which and the extent to which additional pay authority could be assigned for administrative decision.

8. Consider the extent and nature of representation of employee and public groups in the pay determination process.

I strongly urge that consideration be given to legislation of the type suggested above, and that the Congress take favorable action on such a measure before the end of this session of the Legislature.

DWIGHT D. EISENHOWER

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CP - 58-61/5

July 15, 1958

The White House

Washington

THE CABINET

Creation of a Commission on the Civilian Employee Compensation Policy of the Federal Government

The attached approved paper is circulated for action by the Special Assistant to the President for Personnel Management and for the information and convenience of the members of the Cabinet and their staffs.

This paper was approved in substance by the President at the Cabinet meeting of June 13, 1958, (RA - 58-108, Item 3) having been subsequently revised pursuant to the action cited.

After the release time, the attached paper, except for this cover-page, is no longer privileged.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

FOR RELEASE AT 12:00 NOON (EDT) JULY 15, 1958

CAUTION: The following message of the President scheduled for delivery to the Congress today, July 15, 1958, MUST BE HELD IN STRICT CONFIDENCE and no portion, synopsis or intimation of its contents may be given out or published UNTIL RELEASE TIME.

The same caution applies to all newspapers, radio and television commentators and news broadcasters, both in the United States and abroad.

PLEASE USE EXTREME CARE TO AVOID PREMATURE PUBLICATION OR ANNOUNCEMENT.

James C. Hagerty
Press Secretary to the President

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THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

The compensation of its employees by the Federal Government is of major concern to the taxpayers of the United States, the Government itself and, of course, its employees. A salary system should be compatible with sound business practice, justifiable in cost, and should insure equitable pay relationships among all employees. There is increasing evidence that the pay policy of the Federal Government falls short of these criteria.

During recent years it has become more and more difficult for the Federal Government to recruit and retain competent employees because its salary scales often have not remained competitive with those of non-federal employment. The recent debates in the Congress on the Postal and Classified Pay Bills have emphasized the problems inherent in a system which depends exclusively on the legislative process for the periodic adjustment of salary schedules. A number of Members of the Congress have expressed a desire for a better way of adjusting the pay of Government employees.

It has been more than 30 years since a comprehensive review has been made of the manner in which the Federal Government compensates its employees. During this period the size of the Government and the complexity of its activities have increased enormously. As new activities have been added, new pay systems have been created.

It is estimated that there are now at least 77 different pay plans in the Executive Branch. Nearly a million employees under the Classification Act and another one-half million under the Postal Service have their pay fixed and adjusted by statute. Another large group, the 770,000 blue collar employees, have their wages adjusted from time to time by the heads of employing agencies in accordance with prevailing rates. Pay rates under some of the remaining plans are set by statute and others are fixed by agency heads. Moreover, when an agency head fixes such rates he operates under statutory restrictions which vary from one system to another. It has been found that there are more than 300 different statutes bearing on the pay of Federal employees.

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Over the past ten years adjustments in the salaries of most white-collar workers have been made on the average of once every two and one-half years. Blue collar workers, on the other hand, have averaged one adjustment annually. The total percentage of increase thus realized by blue collar workers is considerably in excess of that realized by white collar workers whose pay is fixed by statute. As a result, supervisors in some establishments, because their pay is fixed by statute, are receiving less money than their blue collar subordinates. This is but one example of the many inconsistencies among the many systems.

The inadequacy of Federal pay rates, at least for certain levels and kinds of work, has led the Government to improvise with special pay provisions for certain groups such as Public Law 313 rates for scientists and technical personnel, and Section 803 of the Classification Act which authorizes higher rates for hard-to-recruit categories. The effects of such patch work should be investigated. Particularly should it be ascertained what such patch work does to the basic principle of equal pay for equal work.

The fact of the matter is, the Federal Government has no comprehensive, uniform pay policy. Some systems base salary rates on the degrees of difficulty and responsibility of the job, but recognize no difference between individuals with minimum qualifications and those of above average ability. Others, such as the Foreign Service and Veterans' Administration Medical and Surgical Service set salaries on the basis of the personal qualifications of the individual.

For those positions where salary is established by statute there are no clear-cut criteria for determining when pay adjustments are necessary or the amount of adjustment to be made.

The periods between pay adjustments vary from annually for employees whose wages are fixed by wage boards to an average of every 20 years for Members of Congress, Federal Judges, and members of the President's Cabinet. The rigidity in the pay of top government officials has had the effect of depressing the salaries of career employees in the upper grades and has resulted in a gradual but progressive distortion of what were originally sound salary structures.

In summary, periodic revisions of the Classification Act salary schedule, the granting of numerous exemptions, and the development of new categories of employees have all resulted in a variety of pay systems, a lack of sound relationships among the salaries of various groups, and a failure to provide equitable treatment for all Federal employees. The piecemeal approach to this problem has put an excessive demand on the time of the Congress and has subjected it to a variety of pressures. The lack of coordination among the various pay systems has resulted in inequities and has adversely affected the government's ability to recruit and retain all of the qualified people needed to conduct the Nation's business in an efficient and satisfactory manner.

In recent years a number of groups have studied the pay problems of various segments of the Government. These groups include the Commission on Judicial and Congressional Salaries, the Defense Advisory Committee on Professional and Technical Compensation (Cordiner Committee), and the Committee on Scientists and Engineers. The most recent study was made by the Interdepartmental Committee on Civilian Compensation and Pay Systems within the Executive Branch. Copies of this last report will be made available to the Congress shortly.

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The reports of these studies have each made some sound recommendations for correcting certain of the deficiencies of the Federal pay systems -- but few have been adopted. None dealt with the compensation policy of the Federal Government as a whole. What is needed is a comprehensive, all-inclusive study of the pay systems of all three Branches so that the interrelationships of the various systems can be explored and recommendations made to achieve a high degree of coordination among them. I am convinced that the formulation of a sound, comprehensive Federal compensation policy can be accomplished only through joint Legislative-Executive action based upon an over-all study of this kind.

Therefore, I propose:

I. That there be established a Joint-Commission on the Civilian Employee Compensation Policy of the Federal Government, the Commission to be composed of fifteen members:

One, the Chairman, to be appointed by the President,

Three, members of the Executive Branch, to be appointed by the President,

Four, members of the Senate, to be appointed by the President of the Senate,

Four, members of the House of Representatives, to be appointed by the Speaker of the House, and

Three, representing the Public, to be appointed by the President.

II. That appropriations be made sufficient to enable the Commission to employ an Executive Director and necessary staff and to engage the services of experts from outside the Federal Government. The Commission should be authorized to draw upon the facilities and personnel of any of the agencies of the Government.

III. That the Commission be directed to study all compensation systems in all three branches of the Federal Government and determine upon a compensation policy which will provide equitable treatment for all, and which will contribute to the Government's ability to recruit and retain an adequate work force of qualified individuals.

A. In discharging this duty:

1. The Commission should, in addition to considering past studies, conduct any other studies necessary to provide itself with relevant and current information regarding salary structures within the Federal Government.

2. The Commission, because the military pay system is newly and entirely revised, should consider it only to the extent of its relationship to other compensation systems.

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3. The Commission should recognize that the Foreign Service pay system is unique and is designed to fulfill a need not elsewhere encountered in the Government and that therefore it must remain a separate system.

B. The Commission should make recommendations, among other things, as to:

1. The criteria to be followed in creating a sound basic compensation structure, including the criteria for determining the proper number of grade levels, within grade salary ranges and between grade differentials.

2. The criteria to be followed in determining the actual salaries to be paid under the basic compensation structure.

3. The methods to be employed in making subsequent salary adjustments without impairing the basic compensation structure.

4. The criteria to be followed in determining whether, in a particular case, a special pay system is needed.

5. The criteria to be followed in establishing sound relationships between career employees pay systems, between the compensation of career employees and that of elected and appointed officials, and between salaries paid in all three branches of the Government; also, the methods to be employed to insure the maintenance of these sound relationships when salary adjustments subsequently are made.

6. The feasibility and advisability of increased administrative authority to fix and adjust salaries, and the means of exercising such authority.

IV. That the Commission be directed to complete its work and submit a report to the President and the Congress on or before January 1, 1960.

I urge the enactment of legislation during the current session of the Congress to carry out these proposals.

DWIGHT D. EISENHOWER

THE WHITE HOUSE,
July 15, 1958.

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CABINET PAPER—PRIVILEGED

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CA - 58-109

June 25, 1958

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, June 27, 1958

1.	Monthly Status Report on FY 1958 Expenditures and Personnel Levels	(Oral)	The Director, Bureau of the Budget
2.	Taxation of Cooperatives	(Oral)	The Secretary of the Treasury
3.	The Brussels Fair	(Oral)	The Director, U.S. Information Agency
4.	The Soviet Economic Offensive	(Oral)	The Director Central Intelligence Agency The Honorable Clarence Randall

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-11-76

~~CONFIDENTIAL~~

MINUTES OF CABINET MEETING

June 27, 1958
9:00 A. M. 11:00 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. Herter
  (for Sec. Dulles, who came in during latter part of meeting)
Sec. Anderson
Sec. McElroy
Atty Gen Rogers
PMG Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Under Sec. O'Connell
  (for Sec. Mitchell)
Sec. Folsom

Director Stans
Mr. Gordon Gray
Amb. Lodge

Governor Hoegh, FCDA
Douglas Dillon, State
Adm. Strauss, AEC
Allen Dulles, CIA, in part
George Allen, USIA, in part
Dan Throop Smith, Treasury
Rex Reid, Budget

Gov. Adams
Gen. Persons
Gen. Cutler
Gen. Goodpaster
Mr. Randall
Mr. Siciliano
Mr. Hagerty
Mrs. Wheaton
Dr. Hauge
Mr. Morgan
Mr. Martin
Mr. Jack Anderson
Mr. Harr
Mr. Robert Gray
Mr. Patterson
Mr. Minnich

Budget Review - Mr. Stans reported that expenditures of Cabinet Departments were running $1.1 billion over 1957 (primarily Treasury and HEW) and that all agencies were exceeding 1957 by $2.16 billion. He therefore estimated that FY 1958 expenditures would total $72.1 billion, $600 million less than the January estimate as a result of savings in the CCC and Soil Bank programs and in turning back the Reserve for Contingencies. Regarding employment Mr. Stans stated that 59,000 fewer are employed now than a year ago, that an even larger decrease by Defense has been cut into by other agencies (especially HEW), and that the trend for the summer will be upwards. In response to the President, Mr. Stans explained that the mutual security employment rose because of a shift from contract employment to direct employment.

For FY 1959 Mr. Stans estimated expenditures would reach $79 billion instead of the $73.9 billion estimated in January. With receipts now estimated at $67 billion instead of $74.4 as in January, a deficit of $12 billion is in sight. Mr. Stans added that the deficit could be even larger since Congress threatens to approve various programs or higher program levels

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not recommended by the Administration; if all of these materialize they would cause nearly $5 billion of expenditures in FY 1959 and later years.

Gov. Adams emphasized that queries and complaints are already reaching him from outside the Government about the size of future budgets.

He stated that he replies in terms of how Herculean is the budget task, how all department heads have gotten down to brass tacks and on a real austerity basis, how many programs are not under Administration control because of their nature, and how greatly determined are all Government officials to do everything they can to hold down the budget. After Sec. Anderson's remark about only 17% of the budget lying outside of security areas or other uncontrollable programs, Gov. Adams stressed that the attitude of the Government is the important thing, that all officials must be really fighting instead of drifting.

The President again cautioned on the economy wave sure to appear in the country before long. Mr. Stans affirmed that the meetings of the Budget officials with department heads regarding FY 1960 plans have been characterized by as much austerity as is realistic. Mr. Stans noted that in some cases a cutback really could not be defended, such as in health research, where the Administration will probably have to go along at whatever new plateau the Congress sets. The President interrupted to say that if it is really $123 million over our recommendation he would not be stuck with it at all. Mr. Stans felt that it would be compromised out at perhaps $60 million above the Administration recommendation, which would be difficult to get away from. Mr. Stans believed the 1960 total might be reduced below 1959 as some of the emergency programs will expire but that the total could hardly be less than $77 or $78 billion.

Amb. Lodge, also the President and Mr. Hagerty, emphasized the need for featuring the statistics of the increases dictated by the Congress beyond Administration recommendations. Sec. McElroy cautioned that tentative planning figures in Defense are now circulating and would probably leak but that they should not by any means be regarded as final. He noted too that personnel levels would probably be reduced further despite the impending Congressional increase this year.

The Postmaster General, at great length and intensity, urged that full attention be given to spurring the growth of the national economy which would thus increase the GNP and tax receipts and allow the deficit to be conquered in a positive fashion rather than giving undue attention to the budget total which could cause a contraction rather than an expansion of the GNP. He elaborated on the theme that in 1953 the budget consumed 20.8% of a GNP of $358 billion, whereas in 1959 a $78 billion budget would consume only 17% of a $460 billion GNP, approximately the same percentage as in 1955 and 1958. He urged recognition of the fact that the population has increased, thus necessitating higher budgets, and he doubted that anyone could prove that our budget policies have led any place close to the verge of insolvency. Statements such as that, he believed, were bad politics and bad psychology which would cause a drag on business. He believed the

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By GHC NLE, Date 8-11-76

Administration should do its best to insure that the budget contained no waste, no unwise programs, but did provide wisely for necessities. Thus it would be possible for the Administration heartily to defend its budget.

Mr. Summerfield then suggested an intensive review and recapitulation of what the Government has already done, what has been achieved, and what are its objectives in respect to the GNP. He called for an Eisenhower Crusade for building a stronger economy.

The President felt he had to be concerned with an increase of over $10 billion in the national debt in a five-year period marked mostly by prosperity, especially when the struggle with Russia would probably run for half a century during which the United States must continue to be strong. He cautioned also that tax receipts did not depend solely on the GNP because the rate of profit was also an important factor. The President was willing to be optimistic but did not believe that would be sufficient, particularly when he saw Congress saddling the Administration with unessential programs. The Postmaster General concurred in the need for a balanced view and explained his fear that there would be too much emphasis on the deficit at the expense of constructive action. Sec. Benson expressed his appreciation of Mr. Summerfield's point of view but also his belief that the Government must live within its income in peacetime and that fiscal integrity is the first ingredient of confidence. He felt that many people believed the budget was actually out of control and that fiscal integrity was the real item of leadership to which the people would rally. Amb. Lodge stressed the importance of spirited defense of the Administration's budget submission, whatever it might be. The President again expressed his certainty of a future economy wave when the Administration will be caught with a lot of programs for which the people will not accept any explanation however valid. Sec. Anderson reported Sam Lubell's findings as to how one-third of the people favor even rigid controls to halt price increases and how many workers would forego wage increases if that would prevent a cost of living rise. Mr. Anderson then stressed the importance of non-governmental decisions in the economic area and how a definite change of attitude is occurring among even those who a few months ago were accepting deficit spending in principle.

The Postmaster General concluded the discussion by making clear that he was not urging Government spending but that he was urging Government optimism and encouragement of private actions which would help economic growth.

Taxation of Cooperatives - Sec. Anderson again raised the old problem of the Administration's position with regard to legislation on the taxation of cooperatives, recounting Sec. Humphrey's exchanges with the Congress and the current pressure for a Treasury Department recommendation. He believed that the least unattractive proposal that Treasury could offer would be one that would require that certificates issued by cooperatives in lieu of dividends would bear interest, that the interest be taxed, and that the ultimate payment of the certificates be taxed when it occurred. He

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By DHC NLE, Date 11-18-76

pointed out the interest of the cooperatives in a different approach which would avoid the payment of interest and would allow the cooperatives to hold for ten years without taxation the money represented by the certificates issued to the members.

The President, Sec. Benson and Sec. Seaton all pointed out, as Mr. Anderson appreciated, that the opposition would be delighted to force the Administration to come up with a proposal that would be received unfavorably by the cooperatives. Out of the discussion came the suggestion that the problem be reviewed further and that possibly Treasury might at worst be able to analyze all of the various possibilities for legislation and, without recommending any of them, be able to indicate which seemed to have the fewest undesirable features.

Sec. Anderson explained the embarrassment resulting from the expectation of various Congressmen, including some Republicans, that the Treasury Department certainly ought to be able to express a view after these many years of considering the problem.

Brussels Fair - Mr. Allen gave a lengthy report on his visit to our exhibit at the Brussels Fair, noting the many attractive features as well as those which have come under criticism, sometimes justified and sometimes unjustified. He referred briefly to a private American venture at Brussels, not part of the Fair, which was presenting an American rodeo and making a good representation of the United States. This he said was in need of some financial support which he was trying to arrange. He pointed out, incidentally, that the rodeo's difficulty stemmed from being late on the scene and thus unable to hire an expert "entrepreneur" since the Russians had grabbed up most of these experts on operating programs successfully in a capitalistic system.

Looking to the future, Mr. Allen thought that some changes in our exhibits might be made with a view to decreasing some of the modernistic features, adding explanations for certain things, and dropping a few items where there was great strain for effect. He felt that changes must be limited since the exhibit was now well under way but that some could be done without giving the appearance of confession of error. He stressed the fine reception accorded our exhibit generally by Europeans.

Regarding the section on "unfinished business" which has been criticized for showing an unattractive side of America, Mr. Allen rehearsed the argument for it -- namely, that America is so strong that it does not have to hide its problems. Conversely, he said, it is argued that Fairs are glamour productions in which unattractive aspects should not be gratuitously introduced.

Sec. Dulles noted the official program which bore the title "This is America"

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and took exception to the feasibility of anyone or anything every being able to represent definitively the tremendous diversity of America.

Mr. Allen suggested the possible desirability, at the end of the Fair when all buildings are supposed to be removed, of bringing the US Pavilion to Washington and establishing it here for permanent use, perhaps displays by the States, etc.

* * * *

Because of the lateness of the hour, the items on Russian Economic Threat and Agricultural Legislation were postponed, but Sec. Benson did distribute a one-page summary of legislative issues.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman ✓
Mr. Gray
Mr. Minnich

RA - 58-109

July 28, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, June 27, 1958:

1. Monthly Status Report on FY 1958 Expenditures and Personnel Levels

ACTION:

a) The Cabinet noted the presentation by the Director of the Bureau of the Budget, including his statement that public references by the Administration to the size of the probable deficit for FY 1959 should be amended to indicate "$10 billion or above."

b) It was agreed that "austerity" would be the watchword in the imminent and major task of program review for the FY 1960 budget.

c) The President predicted that "economy" would soon again be used as an anti-Administration slogan and requested that in every Administration speech emphasis be placed on the heightened expenditures which the Congress has added to the Administration's budget proposals.

d) Pursuant to the suggestion by the Postmaster General, consideration will be given to the development of a presentation by the several economic advisers at an early Cabinet meeting pertaining to the policies, governmental and nongovernmental, most required for promoting the growth of the national economy, without unnecessary Federal spending, to levels adequate to support required expenditures.

2. Taxation of Cooperatives

ACTION:

The Secretary of the Treasury will revise for further consultation with the Secretary of Agriculture and the White House the current draft of his new letter to the Chairman of the House Ways and Means Committee on this subject. In order to be responsive to the request of the Chairman, the letter is to go beyond generalities and is to include:

a. The point that cooperatives should be subject to a single tax, either at the level of the cooperative or the members, as was intended in the statute of 1951;

b. An analysis of the several proposals in this field which are before the Committee;

c. An implication that one method, i. e.,

  (i) allowing cooperatives to deduct from their taxable earnings their cash patronage dividends and interest-bearing patronage certificates payable in three years, and,

  (ii) taxing the members on cash payments received from the cooperatives

might be the most desirable plan, conceding that all the alternatives may have undesirable features;

d. The assurance that "the door is open" for the consideration of other reasonable alternatives.

e. Wording which will make it clear that the House Committee shares the responsibility for pursuing this subject at this time.

3. The Brussels Fair [U. S. Guidebook "This is America"]

ACTION:

The Cabinet noted the report by the Director of the U. S. Information Agency, including his suggestions that consideration be given to:

a) Arranging for the U. S. Pavilion to be re-erected in Washington as a memorial;

b) Giving financial assistance to the American rodeo now performing in Brussels;

c) Rotating certain of the display material where feasible.

4. The Soviet Economic Offensive

[Deferred until a meeting in the near future.]

5. Report on the Agricultural Legislative Situation

[Item covered in memorandum distributed at the table]

Robert Gray
Secretary to the Cabinet

Approved by the President
July 28, 1958

Not enough attention to improving our income.

Memo re comparative GNPs
1953: 74 B exp. GNP 358 percentage: 20.8%
1955: 64.5 B expenditures, GNP 374 B, percentage: 17.3 %

1958: 72.8 expenditures; GNP 428; percentage: 17%

1959: 78 B expenditures (?) 460 GNP (optimistic?) percentage: 17%

The [illegible] Eisenhower Library

Budget increase since 1955: 9.6 %
GNP increase since 1955: 11%

Our economy is growing faster than our budget -- we are not on the edge of collapse or fiscal ruin and we shouldn't say so. To make these dire statements about our threatening insolvency causes the very lack of business and economic confidence which will cut into our refenues.

Of course we must be frugal in our spending - but watch these dire statements.-- that our fiscal affairs are out of control, etc etc. It's poor business and poor politics. Of course wemust continue to go after waste and un-necessary spending, but let's also make sure we provide the needed new programs our economy needs to continue its own growth.

We must not get into the position we were in some time ago: of fighting our own budget...

I suggest that the Economic Advisers look at this question carefully and come to Cabinet with some projections worked out --

a) What level of GNP should we try to reach?
b) What measures to reach it?
c) What revenues should we and must we try to attain?

We need a new Eisenhower Crusade for building a stronger economy in this country.- a positive, aggressive approach.

DE: We have seen a successful business period of 5 years -- but we still have increased our national debt from 270 to 280 Bs.
We look ahead and see that this tension with the USSR is not just something for the next year or two -- but will go on for 40 years or more--- can we go on for 40 years with such deficits each year -- 10 B now, then they will 15, then 20. -- then we will be on the same road with Japan and Germany (in the 1920s).
Remember - we don't tax GNP, we tax profits. It's what happens to profits which affects our revenues.
We must look at unwanted programs-- such as health research.

AS - Coulnd't agree with you more -- but let's also turn our attention to the productive side

THE WHITE HOUSE
WASHINGTON

June 26, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, June 27

The following are the items listed for the Cabinet meeting on Friday:

1. Monthly Status Report on FY 1958 Expenditures and Personnel Levels (Director Stans)

Because of Mr. Stans' long-range budget presentation last month, his regular monthly report (for April) was not given to the Cabinet. On Friday he will present the report for May and will also look ahead to the year-end totals for FY 1958.

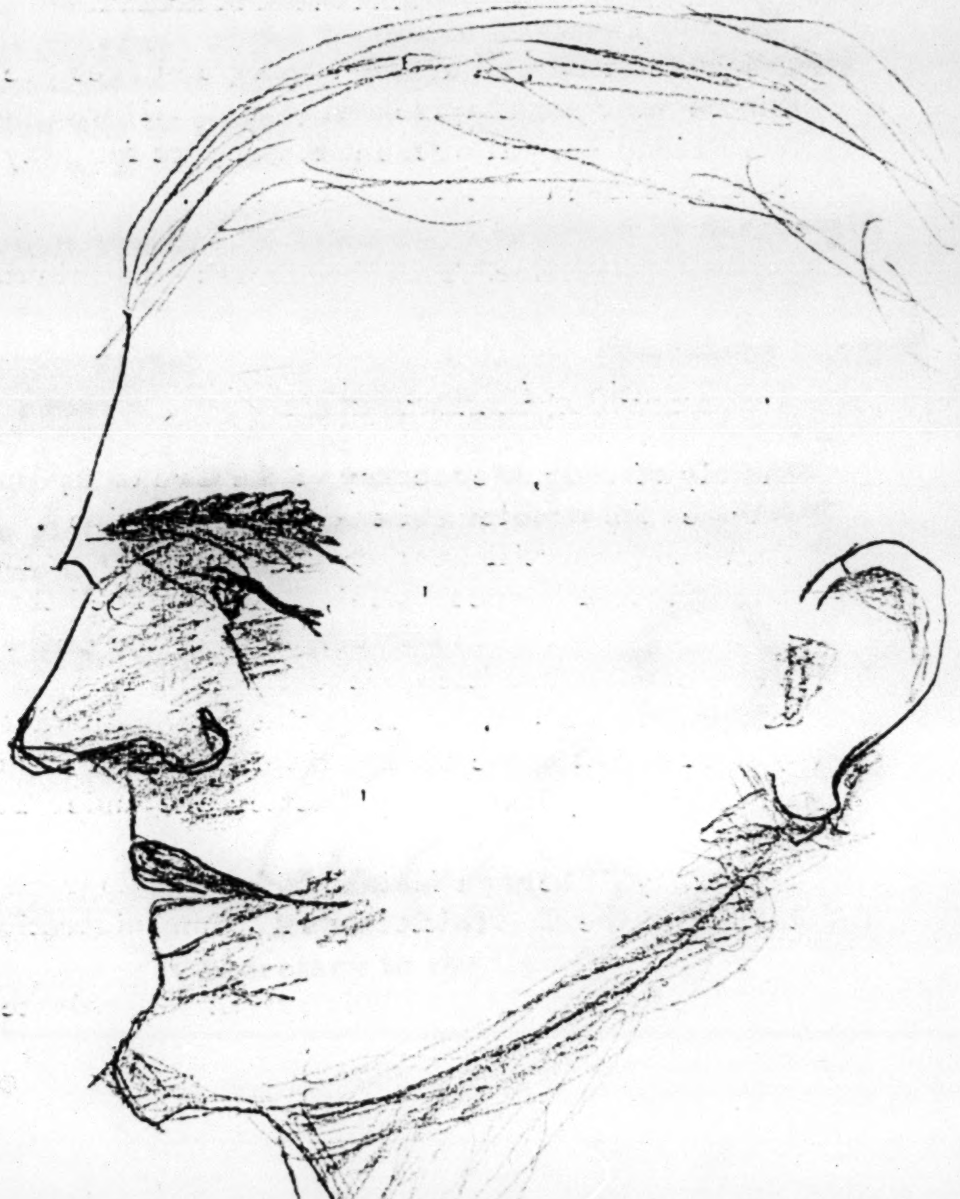
PRESENTATION TIME: 10 minutes

2. Taxation of Cooperatives (Secretary Anderson)

In July of 1955, Secretary of the Treasury Humphrey laid before the Cabinet the problem of taxing cooperatives. Although Secretary Benson then had (and still has) strong doubts about the advisability of tackling this political hornets' nest, it was agreed that the Secretary of the Treasury would send a statement of the problem to the House Ways and Means Committee without putting forward any Administration recommendations. The initiative for any action was left up to the Congress "at some appropriate time." (Copies of Cabinet Record and Secretary Humphrey's letter are under Tab 3.)

Secretary Anderson feels this is the "appropriate time" and wishes to inform the Committee of this Administration position.

PRESENTATION TIME: 20 minutes -- followed by discussion



3. The Brussels Fair (Director Allen)

Director Allen has reported to you privately about the Brussels Fair, and will share a few of his observations with the Cabinet.

PRESENTATION TIME: 15 minutes -- followed by discussion

4. The Soviet Economic Offensive (Director Dulles, Mr. Randall)

Director Dulles will open this presentation by a briefing on the developments in the Soviet Economic Offensive since January. Clarence Randall will speak concerning the organizational implications of this challenge and will report on the progress of the Business Advisory Council subcommittee you established in April. Secretary Weeks and Deputy Under Secretary Dillon will be prepared to supplement the formal presentations by Messrs. Dulles and Randall.

PRESENTATION TIME: 35 minutes -- followed by discussion

5. Report on the Agricultural Legislative Situation (Secretary Benson)

Secretary Benson has requested an opportunity to give the Cabinet an up-to-the-minute picture on developments concerning important agricultural legislation.

PRESENTATION TIME: 10 minutes

Robert Gray

Robert Gray
Secretary to the Cabinet

NOTES FROM CABINET JUNE 27

1. Stans charts

Discussion:

SA: Herculean task of examining budget at this time
Toughest go-round we have had yet
We must scrutinize every single program to be undertaken -- but can't really make arbitrary redudtions (e.g. 10 % as Alcorn suggested)
It's a matter of attitude - of all of us. We must never relax our position - and public impression- that we are fighting this budget battle.

Anderson: Remember: Defense programs, mutual security, VA and interest account for 83% of theebudget. Can't make any startlingly big reductions in the 17% that is left.

Benson: Mood of the country is definitely for economy - for living within our income.

DE - Yes - and when this economy wave hits, no one will remember who caused the spending -- except that they will blame us.!

Stans - 1960 screening going on now -- austere is the word --
I will be meeting with all agency heads in the coming 4 weeks - not talking specific figures, but general sizes of programs -- necessities vs non-necessities.
We will try to hold to 59 levels, but this may involve intolerable assumptions, so we may go above that. We shall certainly hold to below 80Billion -- range now is 77.5 - 78.

Lodge: Make sure the Congress takes the blame for the increases in spending above the President's budget

DE: Say this in every speech, at every opportunity -- give the statistical approach.

Hagerty - Add another column in every table: what Congress has added on.

McElroy: Force levels being held to 2.4 million (confidential figure), but cost of equipment is skyrocketing -- and that is what is really driving our costs up.

Summerfield: Look what we did in 1953: we not only cut the deficit and the gov't spending, but we increased the confidence in the economy - produced bigger GNP and revenues, and turned the figures into the black by that route. We must do this again now.

"Soviet Economic Offensive" agenda item coming up -- to meet that, we must ensure top-notch productivity, strong, healthy economy. In our budget discussions, I note the absence of reference to the plus side - how to build confidence. We are looking too closely at the balance sheets and not enough at the "engineering and sales" Departments...

COMMENTS BY: Postmaster General Arthur E. Summerfield
at Cabinet Meeting on Friday, June 27, 1958.

These comments on the budgetary outlook are very interesting. All of us, of course, want to make certain that this Administration's budget policies are a source of economic strength for this Nation. That is why in January 1953 we did not accept the outgoing Administration's proposed $78.6 billion of expenditures for F.Y. 1954. That our efforts were successful is indicated by the fact that the Federal Government actually spent only $67.8 billion in F.Y. 1954, and these outlays were further reduced to $64.6 billion in F.Y. 1955, the low point thus far in this Administration.

Now at first glance the rise in outlays from $64.6 billion in F.Y. 1955 to $78 billion for F.Y. 1959 looks a bit grim. But I suggest we endeavor to gain a little perspective on this matter by looking at these budget figures in relation to the size of our economy. This Administration's lowest volume of budget expenditures (in F.Y. 1955) of $64.6 billion of expenditures was equal to 17.3 percent of that fiscal year's GNP of $374 billion.

Federal Expenditures and GNP
(Dollar amounts in billions)

		Federal Expenditures	
Fiscal Year	GNP	Amt.	%GNP
1953	$358	$74.3	20.8%
1954			
1/53 Bud.	360	78.6	21.9
Actual	360	67.8	18.8
1955	374	64.6	17.3
1958	428	72.8	17.0
1959*	460	78.0	17.0

*With only normal unemployment of about 4 percent of the labor force.

Now let's look at F.Y. 1958. I assume when the books are closed Monday night we shall have spent about the $72.8 billion indicated in January's budget message. That is an increase of 9.6 percent over F.Y. 1955. But our GNP during this interval increased 11.5 percent. Thus, Federal expenditures in F.Y. 1958 will be smaller relative to the size of the economy than was the case in F.Y. 1955 -- the year of our smallest volume of expenditures.

What about F.Y. 1959? We are told that the Federal Government will spend about $78 billion. If so, these outlays will be from 17-18 percent of a GNP which will be somewhat depressed by the current recession. If we were back to reasonably full employment, even $78 billion of expenditures in F.Y. 1959 would be slightly smaller relative to GNP than was true for our smallest budget in F.Y. 1955 -- 17.0 percent in F.Y. 1959 compared with 17.3 percent in F.Y. 1955.

Looking at budget developments in relation to the size and growth of our economy leads me to these conclusions.

1. While we must exercise the maximum of frugality in Federal expenditures, we must also recognize that this is a Nation of 173 million people and with a $450 billion economy. We must be realistic about the fact that the workload expected from the Federal Government by a Nation of this size and rate of growth is large at best.

2. I doubt if any of us here can really prove that budget trends in recent years have led us very close to national insolvency. The facts do not suggest it. The country's capacity to produce grows each year, levels of living have been rising rapidly, our real national income (until this recession) was moving upward, and even in this recession year businesses are going to spend $30 billion to improve and expand their productive facilities.

3. Officials of this Administration must be extremely cautious, particularly at this time, in making public statements that seem to imply that Federal spending is leading us to insolvency. These statements are bad for business at a time when confidence needs to be nurtured. A lot of our problems would become more manageable if we could have a reasonably vigorous and prompt economic recovery. The substantially increased volume of revenues from a prosperity level of national income would go a long way toward closing the gap between F.Y. 1959's prospective revenues and expenditures. Statements which imply that Washington's fiscal affairs are out of control can only disturb confidence and are quite unwise at this time. These statements are also bad politics. They convey the impression that this Administration is incapable of giving the Nation fiscal control and leadership. There is, as we all know, another party which will be only too eager to tell the people that it can provide such leadership.

What does all of this mean? I think it means this. Let's do our best to make sure the budget contains no waste, and no unnecessary expenditures. Let's work hard at eliminating specific expenditures and specific programs that we consider unwise. But let's also make sure we demonstrate that we know how to provide adequately for genuinely needed programs. The resulting budget then deserves our defense for what it is -- our best efforts to provide for the Nation's needs and to strengthen the vitality of our economy.

cc to Saulnier and
PMG permanent
7/1/58

(FROM NEWS TICKER - JUNE 25, 1958)

UP-63 (BUDGET)

LAKE GENEVA, WIS.-- Deputy Budget Director Robert E. Merriam warned today that the Government cannot run in the red indefinitely without risking danger of collapse.

"Your budget must stay in balance if you are to stay in business," he said. "A government's budget seems to have more flexibility, but not continually and not without limit."

Merriam said in a speech prepared for the Wisconsin Chapter of the Young Presidents' Organization, Inc., that a 1959 federal budget of 80 billion dollars could result in a 10-billion dollar deficit.

"Too few people seem bothered about this", he said.

He criticized those who, he said, have advocated both more spending and tax reduction.

And, he said, Congress "is ignoring well-thought-out suggestions" of the Administration for reducing or dropping programs which are no longer needed or which could be turned over to state and local government or private enterprise.

6/25-12:14 PM

FOR RELEASE IN SUNDAY PAPERS, JUNE 29, 1958

James C. Hagerty, Press Secretary to the President

THE WHITE HOUSE

TEXT OF THE REPORT TO THE PRESIDENT BY GEORGE V. ALLEN, DIRECTOR OF THE UNITED STATES INFORMATION AGENCY

Dear Mr. President:

In accordance with your oral instructions, I visited the Brussels World's Fair from June 19 to June 22, where I examined the United States exhibit and saw as many other exhibits as possible.

During the three and one-half days in Brussels, I consulted with Commissioner General Howard S. Cullman, Deputy Commissioners James S. Plaut and Mrs. Catherine Howard, Executive Director Thurston Davies, and other members of the American staff, including a number of the young Americans serving as guides. I also talked with Ambassador Folger and members of his diplomatic and public affairs staff, and made a courtesy call on the Belgian Director General of the Fair, Baron Moens de Fernig. In addition, I questioned various American and foreign visitors to our pavilion.

The following summarizes my impressions:

1. On balance, my reaction was favorable. While the general impression made by the interior of our pavilion can, as I indicate later, be improved in certain respects, our effort as a whole has a number of good points and several outstanding ones.

2. Some of the good points are:

1. The building itself. There are many fine structures at the Fair, but our pavilion is regarded by everyone I talked to as the finest single building there. I heartily concur. From both an architectural and engineering point of view, it is brilliant.

2. The over-all impression of our exhibit on Europeans, who make up more than 90 percent of the visitors, is good. Europeans are particularly impressed by the absence of heavy-handed propaganda and by the fact that the United States, which they know to be powerful industrially and economically, has not attempted to overshadow the Fair with a show of industrial might. The general air of our exhibit is one of friendliness, animation, and humanism.

3. Our guides are a fine representation of American youth. As you may know, the Governor of each State was asked to nominate and sponsor candidates.

4. Circarama, which is a 360 degree film presentation, is not only a magnificent achievement in the cinema field but the film itself is a thrilling presentation of America. Unfortunately, not enough visitors can see it because of space limitations.

more

5. Certain of the technical exhibits, including the RCA color TV demonstration, the RAMAC "electric brain" machine and the Atomic Energy show, are outstanding and have wide appeal.

6. The voting machines are a great hit and are attracting much favorable notice.

7. Performing arts. A high level of artistic talent has performed in our excellent theatre, and many more are scheduled. "Carousel," which was running while I was there, made a good impression. An American rodeo, showing in Brussels under private auspices, also adds to the picture of America.

8. My report would not be complete without reference to the many outstanding exhibits by American firms which are not connected with our pavilion but which add notably to the over-all impression of the United States at the Fair.

Obviously, there are improvements which can be made in our official exhibit. I discussed certain of these with Mr. Cullman and believe he is ready to do what he can toward this end. Among these are:

1. A broadening of the problems to be considered in the exhibit on "unfinished work." This might include an exhibit on public health, which is one of the important unfinished tasks of this country.

2. Wider diversification in the art exhibit. At present the modern part of this exhibit is heavily weighed on the side of abstract art.

3. A wider distribution of guide books and brochures. (USIA is contributing 300,000 copies of "Window to America" for this purpose)

4. Clarification of several exhibit items by:

   a. Elimination of puzzling things such as mailboxes, sun glasses, odd shoes, football uniforms, etc. (I suggested to the Commissioner that some of them be replaced by the best handloom in the United States, which I understand is available. The inventor would operate it at the exhibit. Any machine being operated draws more interest than an exhibit not in active use. The latest handloom would tie in modern technical improvements with early American household handicrafts.)

   b. Review of all captions and explanations to see that they are clear to the average observer -- captions to be added where needed, enlarged, or clarified for the running visitor.

5. The central hall of the pavilion is somewhat too sophisticated and impressionistic for the average visitor, who goes through "on the run." As many performances as possible by choirs, glee clubs and college bands should be given there. I did not find the fashion show objectionable, but it should be added to by other events.

Several suggestions for additional exhibits are now being looked into, which I believe Mr. Cullman should consider if they prove feasible.

more

The Fair as a whole is highly successful. The estimate for total attendance has been raised from thirty-five million to fifty million visitors. Many of the national exhibits are outstanding. We are making a good impact on visitors, notably through our building itself, and have an opportunity to make an even greater one.

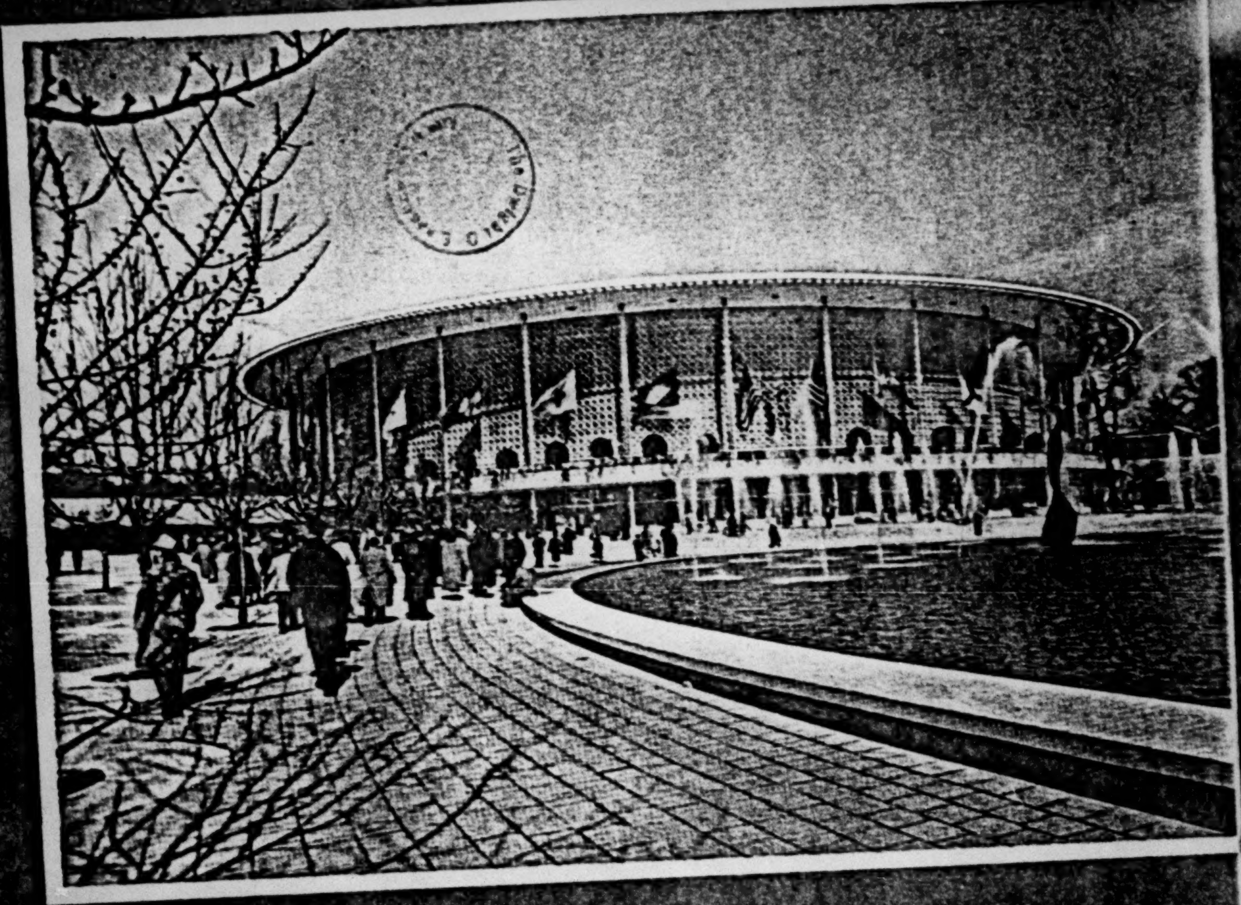
You may wish to send the substance of this report to Mr. Cullman. He and his group have worked diligently, with full dedication. They deserve, in my view, high commendation.

Faithfully yours,

George V. Allen

#####

This is america



OFFICIAL UNITED STATES GUIDE BOOK
BRUSSELS WORLD'S FAIR 1958

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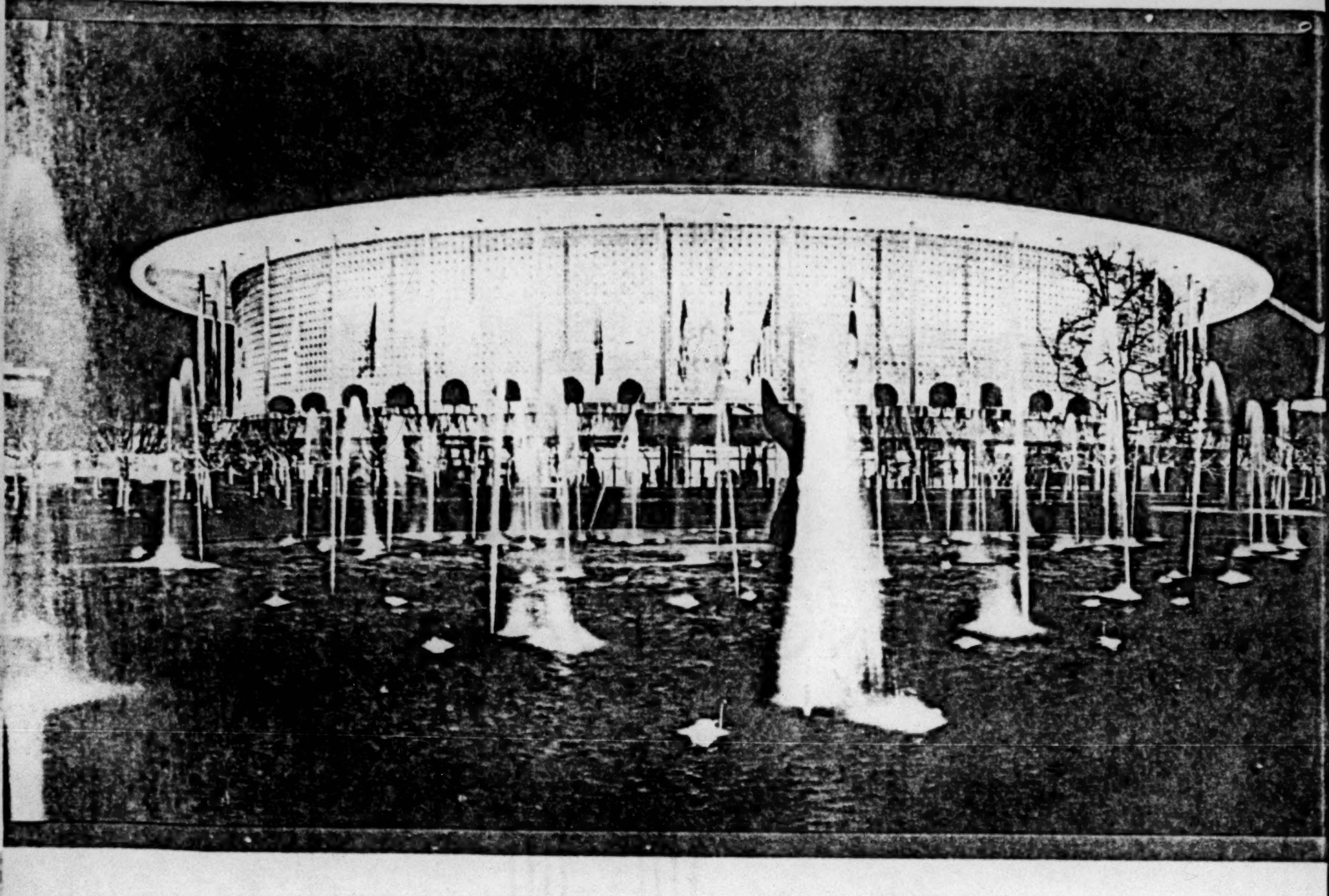
america

Official United States Guide Book
Brussels World's Fair 1958

PUBLISHED BY THE OFFICE OF THE UNITED STATES
COMMISSIONER GENERAL, BRUSSELS WORLD'S FAIR 1958



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★ ★ ★ ★ ★ ★ ★

A Map of the United States Exhibits will be found on pages ■
Le plan des divers stands des Etats-Unis se trouve aux pages ▲ 32-33
Een kaart van de stands der Verenigde Staten komt voor op blz. ●

■ ENGLISH ▲ FRANÇAIS ● NEDERLANDS

Welcome to all who visit the United States Pavilion at the Brussels Universal and International Exhibition.

It is a privilege to take part in this magnificent World's Fair. Here dedicated to a lively faith in the promise of humanity, we can look with increased confidence toward the peaceful advance of modern civilization.

We hope the United States exhibits will give a helpful insight into the character of our national community, the fruits of its land and the spirit of its citizens. By thus broadening the understanding among all peoples, the Brussels Universal and International Exhibition will make a lasting contribution to the future of mankind.

★ ★ ★ ★ ★

Nous souhaitons la bienvenue à tous les visiteurs du pavillon des Etats-Unis à l'Exposition Universelle et Internationale de Bruxelles.

C'est pour nous un privilège de pouvoir participer à cette merveilleuse *World's Fair*. En réitérant ici même notre foi dans l'avenir plein de promesses de l'humanité, nous pouvons songer avec une confiance accrue au progrès pacifique de la civilisation moderne.

Nous espérons que les divers aspects de la participation des Etats-Unis donneront une idée claire du caractère de notre communauté nationale, des fruits de son sol et de l'œuvre intellectuelle de ses habitants. En élargissant ainsi la compréhension entre tous les peuples, l'Exposition Universelle et Internationale de Bruxelles rendra un service durable à l'avenir de l'humanité.

★ ★ ★ ★ ★

Welkom aan allen die het Paviljoen der Verenigde Staten in de Algemene Wereldtentoonstelling van Brussel bezoeken.

Het is een voorrecht deel te kunnen nemen aan deze prachtige Wereldtentoonstelling. Bezield met een levendig geloof in de toekomst der mensheid, kunnen wij hier met groter vertrouwen uitkijken naar de vredelievende vooruitgang van de moderne beschaving.

Wij hopen dat hetgeen de Verenigde Staten tonen U zal helpen om het karakter van onze nationale gemeenschap, de vruchten van het land en de geest van zijn burgers, beter te begrijpen. Zo wordt de verstandhouding tussen alle volkeren verruimd en zal de Algemene Wereldtentoonstelling van Brussel op blijvende wijze bijdragen tot de toekomst der mensheid.

Dwight D. Eisenhower

DWIGHT D. EISENHOWER
President of the United States

As the United States Commissioner General to the Brussels Universal and International Exhibition of 1958, I welcome you on behalf of the Government and People of the United States.

America has joined with many other nations in this most significant enterprise where we may present to the world those aspects and facets of American life which we hope will provide a better comprehension of our country.

Because the United States is composed of a diversity of people, institutions and interests, we are attempting in our participation to delineate those diversities with exhibits, performing arts and related activities in order that you may perceive those elements of our country which are most characteristic.

We are honored to be a part of this monumental enterprise which the Belgians have so capably arranged.

HOWARD S. CULLMAN

En tant que Commissaire Général des Etats-Unis à l'Exposition Universelle et Internationale de Bruxelles 1958, je vous souhaite la bienvenue au nom du Gouvernement et du peuple des Etats-Unis.

L'Amérique s'est jointe à de nombreux autres pays pour présenter au monde, dans le cadre de cette manifestation historique, les formes et aspects de la vie américaine qui sont susceptibles de mieux la faire comprendre.

Les Etats-Unis étant composés de citoyens, d'institutions et de groupes d'intérêt très divers, nous avons voulu illustrer ces multiples aspects par des expositions, des représentations artistiques et de nombreuses activités. Ainsi pourrez-vous vous familiariser avec les éléments les plus caractéristiques de notre vie nationale.

C'est pour nous un honneur de participer à cette manifestation monumentale que la Belgique a mise sur pied avec tant de talent.

Als Commissaris-Generaal voor de Verenigde Staten bij de Brusselse Algemene Wereldtentoonstelling van 1958, heet ik U welkom in de naam van de Regering en van het volk van ons land.

Samen met vele andere volkeren, neemt Amerika deel aan deze merkwaardige onderneming. Het ligt in onze bedoeling de aandacht te vestigen op die aspecten en facetten van het Amerikaanse leven die, naar wij verhopen, de Verenigde Staten beter zullen doen begrijpen.

Aangezien er in ons land een grote verscheidenheid heerst onder de mensen, de instellingen en de belangen, hebben we getracht in ons paviljoen deze diversiteit te onderstrepen door middel van stands, van kunstuitingen en van aanverwante activiteiten. Dit alles moet U toelaten deze elementen van ons land te onderscheiden die het meest typisch zijn.

Het is voor ons een eer deel te nemen aan deze monumentale onderneming, die door de Belgen zo bekwaam werd georganiseerd.

THE UNITED STATES AT THE FAIR

■ The United States participation in the Brussels World's Fair is principally centered in its own distinctive national pavilion, with adjoining auditorium suitable for all types of cultural performances. The U.S.A. is also contributing to the International Hall of Science, International Fine Arts Exhibit and various other international cultural exhibits which are all part of the first International Exhibition to be held since 1939.

The theme of the Fair is: "A World View — A New Humanism". The United States presentation, in keeping with that theme, attempts to reflect the atmosphere of America generally and those distinctive phenomena which are considered characteristic of the American people — dynamic energy, impatience and restlessness for change, the unremitting search for an improved way of life, and the high degree of unity achieved among the diversity of their national origins.

The American Pavilion and the exhibits therein were designed so that they could visually provide for all visitors a tangible and lasting impression of the United States.

LES ETATS-UNIS A L'EXPOSITION UNIVERSELLE

▲ La participation des Etats-Unis à l'Exposition de Bruxelles est centralisée surtout dans son propre pavillon, et dans l'auditorium adjacent, qui sert à toutes sortes de manifestations culturelles. Mais les U.S.A. prennent également part au Palais International de la Science, au Palais International des Beaux-Arts et à diverses autres sections culturelles qui font toutes partie de la première Exposition Internationale organisée depuis 1939.

Le thème de l'Exposition est formulé comme suit: « Bilan du monde pour un monde plus humain ». La participation des Etats-Unis, désirant respecter ce thème, présente l'atmosphère générale de l'Amérique et les manifestations particulières qui sont considérées comme caractéristiques du peuple américain: son énergie dynamique, son impatience et son infatigable tendance à l'innovation, la poursuite incessante d'une vie meilleure, et son unité réalisée en dépit de la diversité des origines nationales de sa population.

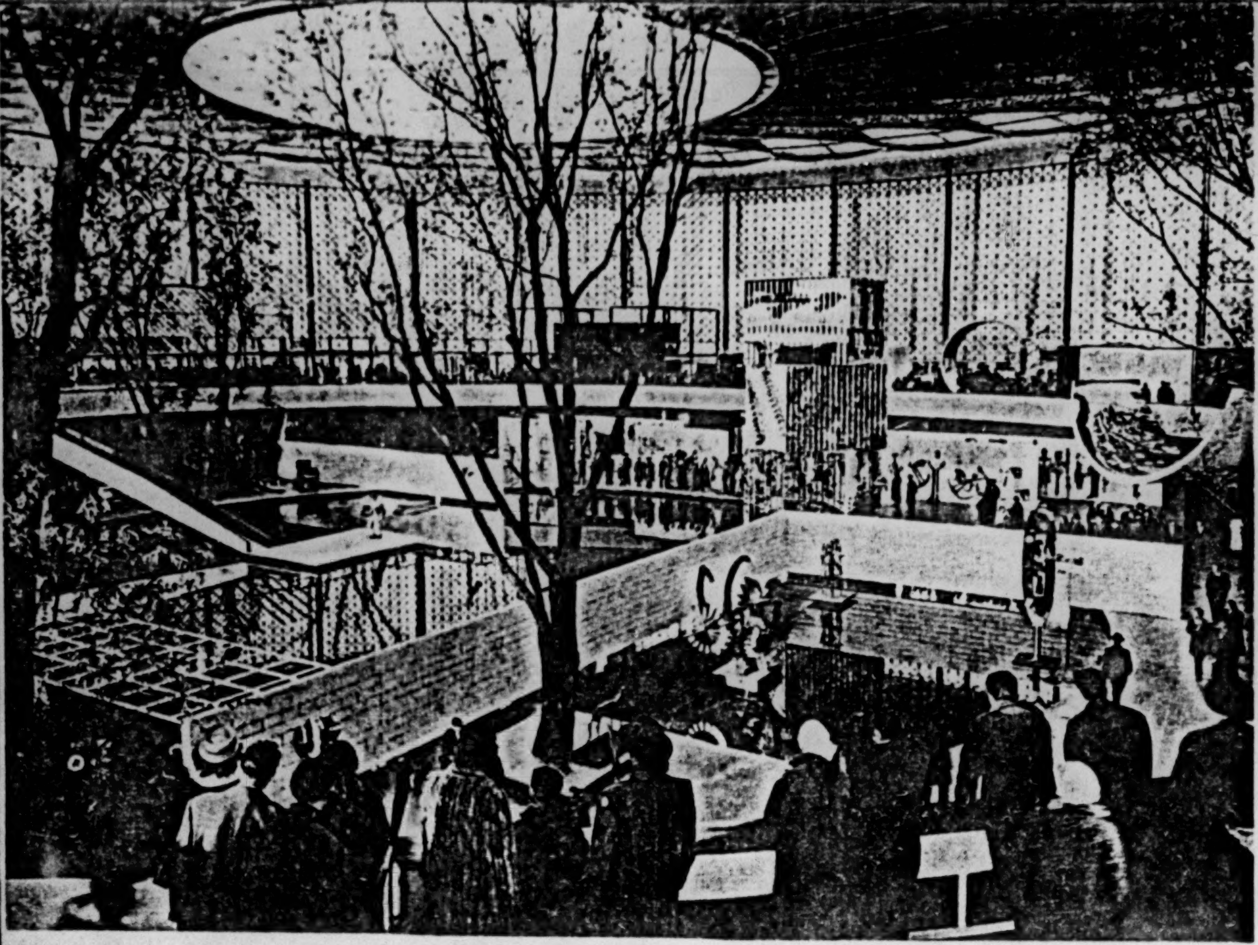
Le pavillon américain est conçu de façon à fournir aux visiteurs, d'une manière visuelle, une impression tangible et durable des Etats-Unis.

DE VERENIGDE STATEN OP DE WERELDTENTOONSTELLING

● De bijdrage der Verenigde Staten tot de Internationale Tentoonstelling van Brussel, is hoofdzakelijk samengebracht in hun eigen paviljoen en in het aangehechte auditorium dat kan dienen voor alle soorten culturele opvoeringen. De Verenigde Staten van Amerika nemen insgelijks deel aan het Internationale Paleis der Wetenschappen, aan het Internationale Paleis voor Schone Kunsten en aan verschillende andere culturele uitstallingen, die alle deel uitmaken van de eerste Internationale Tentoonstelling, die sedert 1939 ingericht werd.

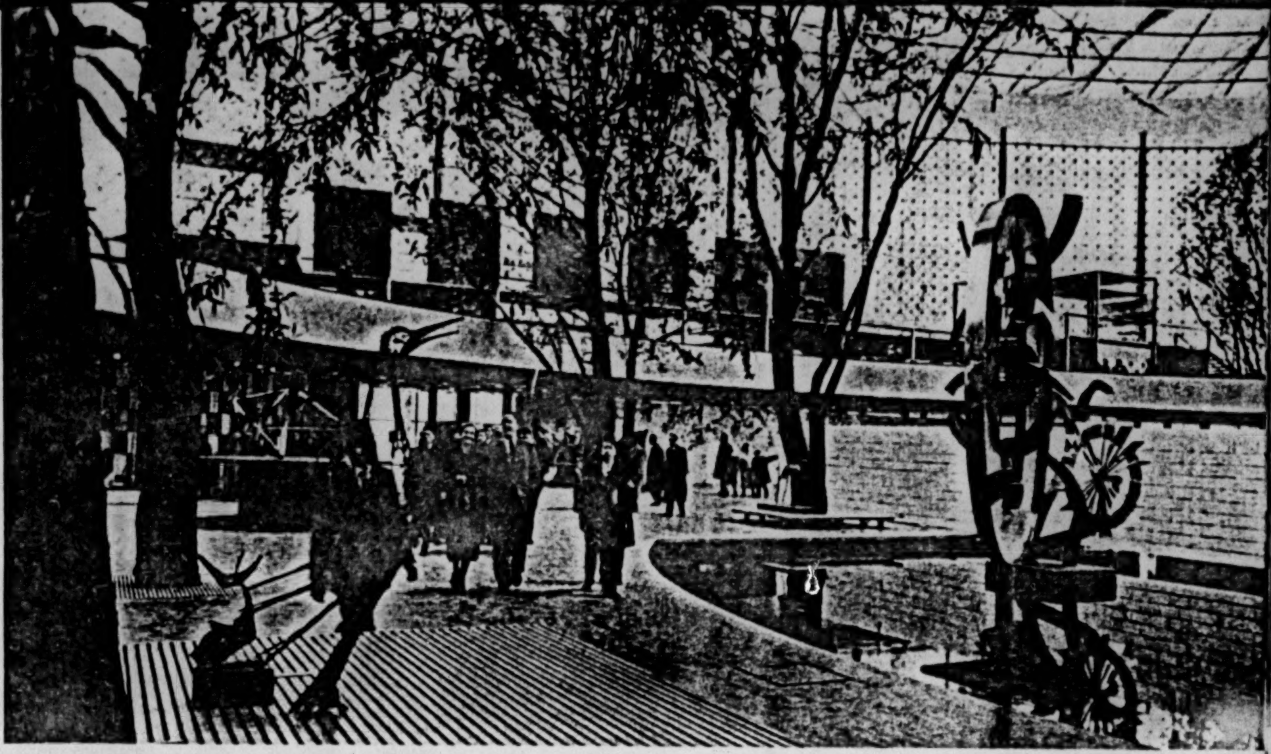
Het thema van de Tentoonstelling werd uitgedrukt als volgt: « Bilan der Wereld voor een meer Humane Wereld ». De deelname der Verenigde Staten in overeenstemming met dit thema, tracht de algemene atmospheer weer te geven zowel als de speciale verschijnselen die beschouwd worden als kenmerken van het Amerikaanse Volk, nl. zijn dynamische energie, zijn ongeduldigheid en rusteloosheid voor wijzigingen, zijn onverpoosd streven naar een verbeterde levenswijze en zijn hoge graad van eenheid die tot stand werd gebracht niettegenstaande de verscheidenheid van nationale oorsprong der bevolking.

Het Amerikaanse Paviljoen werd opgevat opdat het op vizuele wijze al de bezoekers een kostbare en blijvende indruk der Verenigde Staten zou bezorgen.



THE UNITED STATES PAVILION

- The American Pavilion, one of the largest circular structures in the world, stands 85 feet high (25.9 m.) and is 340 feet (103.6 m.) in diameter, approximating the size of the Rome Colosseum. It is set amid richly-landscaped floral gardens; an apple orchard flanks the lagoon at the main entrance. Further color is added by the flags of the 48 states and three territories of the United States. The interior is expressive of the American spirit, with a feeling of openness and naturalness. Living willow trees remain part of the interior of main floor and balcony. A 150-foot (45.7 m.) circular pool forms a hub for the structure. Natural light floods the Pavilion through the translucent walls and plastic roof. Staffing the American Pavilion as guides and demonstrators are several hundred young American men and women, age 19 to 25, from virtually every state and territory of the United States.

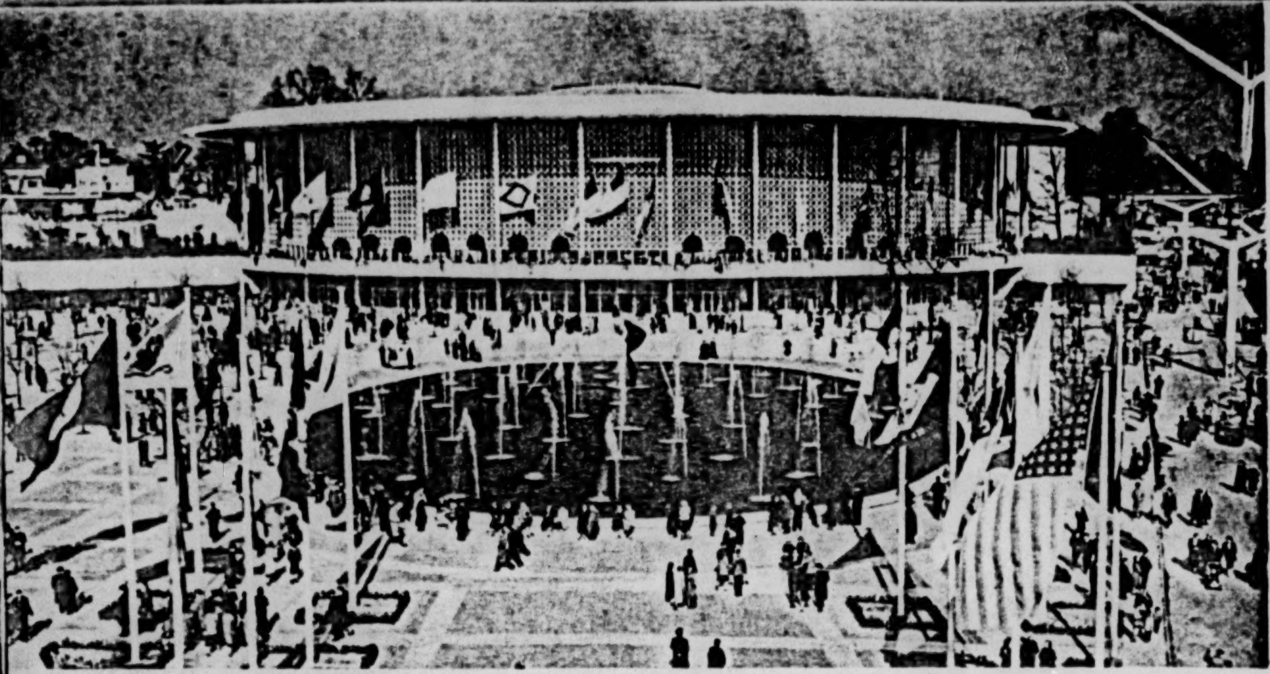


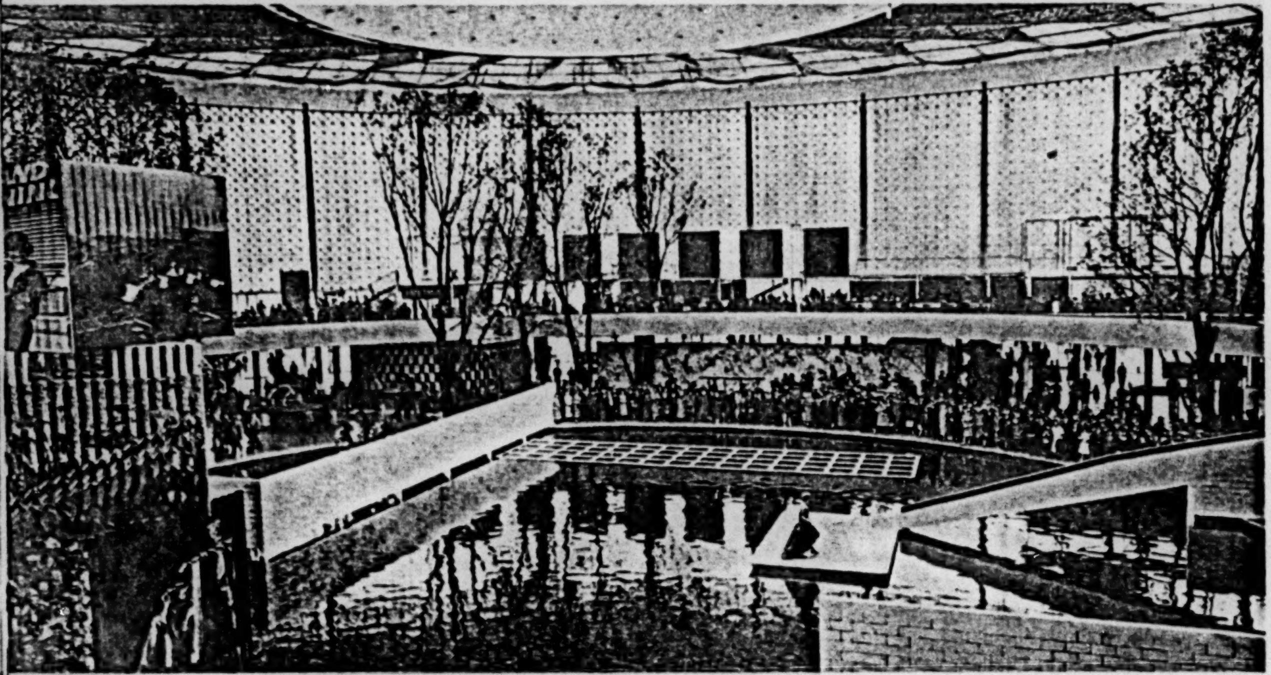
LE PAVILLON DES ETATS-UNIS

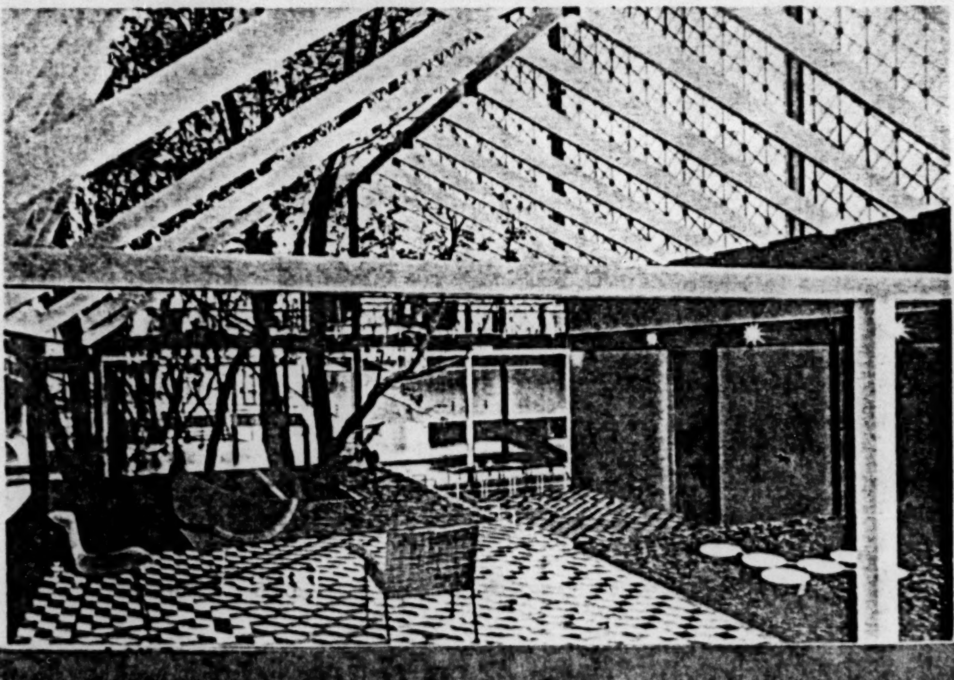
▲ Le Pavillon américain, une des plus grandes structures circulaires du monde, a une hauteur de 25,9 m. et un diamètre de 103,6 m., soit environ la grandeur du Colisée de Rome. Le pavillon est situé au milieu de jardins floraux délicieusement aménagés; un verger entoure le bassin qui orne l'entrée principale. Les drapeaux des 48 Etats et 3 territoires des Etats-Unis (Alaska, Hawaï, Porto Rico) renforcent encore la couleur. L'intérieur exprime parfaitement l'esprit américain, avec son atmosphère de franchise et de naturel. Des saules, qui se trouvaient sur le terrain, décorent l'intérieur du rez-de-chaussée et du balcon. Une pièce d'eau circulaire de 45,7 m. occupe le centre du pavillon qui baigne dans une lumière naturelle grâce aux murs translucides et au toit en plastique. Des centaines de jeunes gens et de jeunes filles, âgés de 19 à 25 ans et originaires de presque tous les Etats et territoires des Etats-Unis sont des guides et des démonstrateurs au pavillon américain.

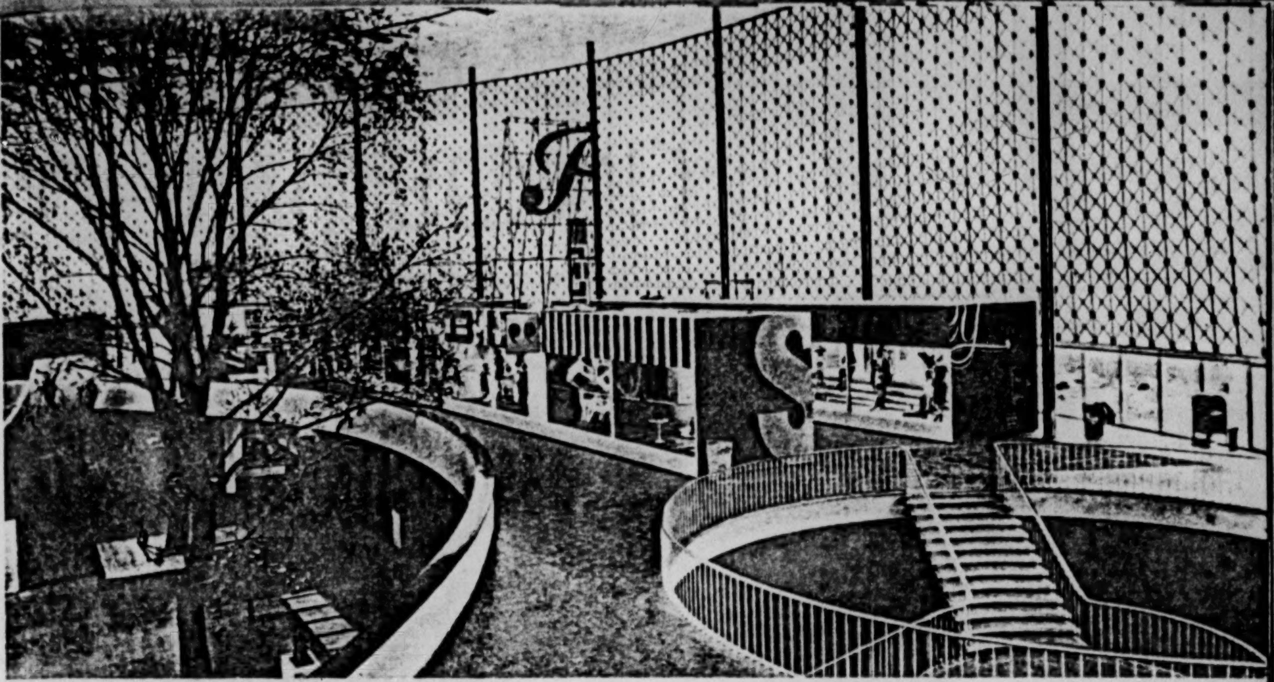
HET PAVILJOEN VAN DE VERENIGDE STATEN

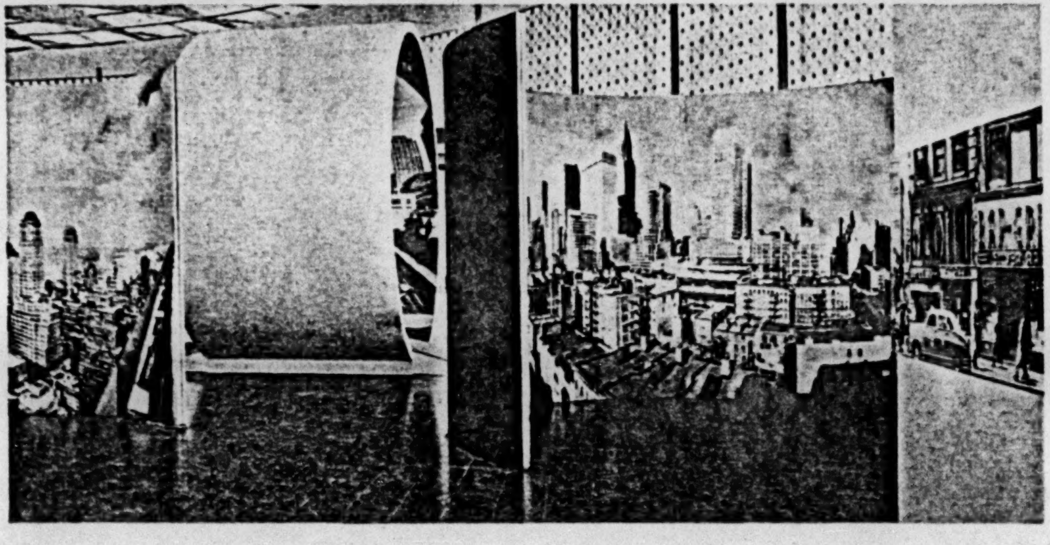
● Het Amerikaans paviljoen, een van de grootste ronde gebouwen van de wereld, is 25,9 meter hoog en heeft een diameter van 103,6 meter. Het is ongeveer even groot als het Colosseum. Het ligt te midden van een aantal mooie en rijkelijk aangelegde plantsoenen: langs de waterpartij bij de hoofdingang bevindt zich een appelboomgaard. De vlaggen van de 48 Staten en van de drie gewesten van de Verenigde Staten (Alaska, Hawaï, Puerto Rico) voegen een kleurige noot bij het geheel. De binnenkant van het paviljoen geeft de Amerikaanse geest weer: er werd gestreefd naar een indruk van ruimte en van natuurlijkheid. Wilgenbomen, die op het terrein stonden, werden ingewerkt in het gelijkvloers en in het balkon. Een vijver van 45,7 meter ligt in het centrum van het gebouw. Natuurlijk licht filtert doorheen de doorschijnende muren en langs het plafond uit plastisch materiaal. Verschillende honderde jongelingen en jonge meisjes van 19 tot 25 jaar en herkomstig uit bijna alle Staten en territoria der Verenigde Staten doen dienst als gidsen en uitleggers.







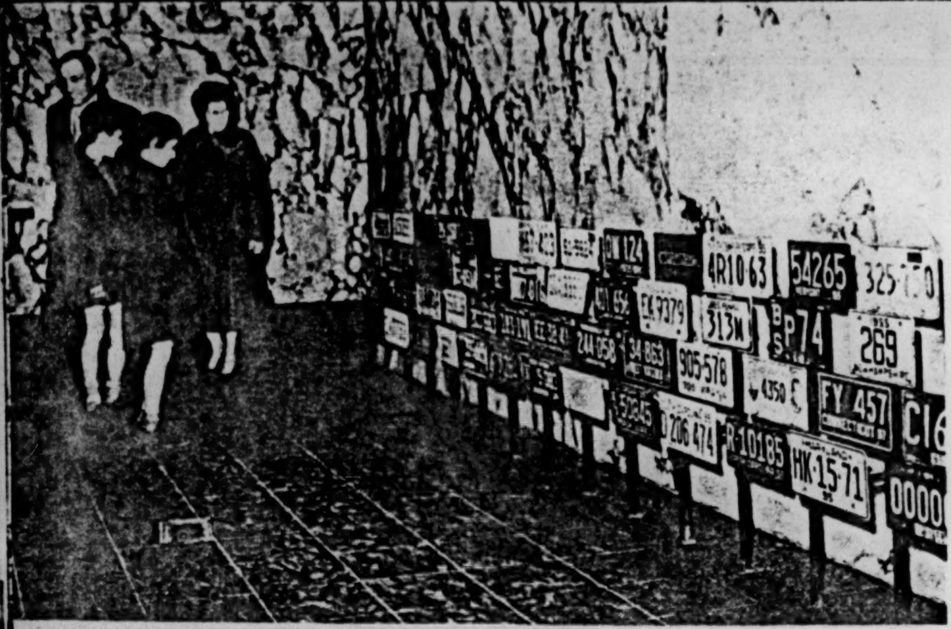




■ As an exhibit of American food, its preparation and service, an operating restaurant is connected with the United States Pavilion, serving typical American food favorites.

▲ Afin de présenter l'art culinaire de l'Amérique, le Pavillon s'est adjoint un restaurant où les repas sont composés des plats et préparations favorits du peuple américain.

● Ten einde de bezoeker in te lichten over het Amerikaanse voedsel, zijn voorbereiding en de wijze waarop het wordt opgediend, is een restaurant aan het Amerikaanse paviljoen verbonden: daar wordt typisch populair Amerikaans voedsel geserveerd.



■ *State Auto License Plates*
▲ *Plaques d'automobile des Etats*
● *Staatsautoplaten*

THE FACE OF AMERICA

California Redwood ■
«Redwood» californien ▲
Californisch roodhout ●

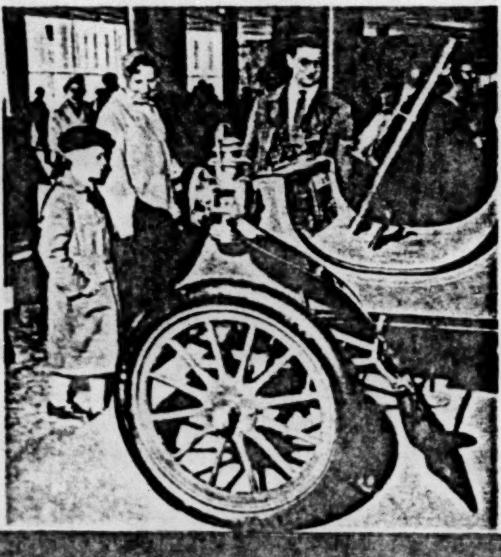
■ The Face of America, at the main entrance, is the Pavilion visitors' first introduction to the United States. Presenting a series of varied impressions characteristic of the nation, this exhibit mirrors the past and reflects the future. Typical elements, natural or man-made, identify a state, a region or a significant historical event. There is displayed a 1903 Ford car which represents the advent of the modern assembly-line production that has made America a "nation on wheels". A slab from a giant, centuries-old redwood tree reminds visitors of the antiquity of the American land. Natural and cultivated agricultural and mineral products inform visitors of the productivity of this same land. One of the largest Sunday editions of a modern-day newspaper is also shown — totalling 480 pages.

■ *Mailboxes*
▲ *Boites aux lettres*
● *Brievenbussen*

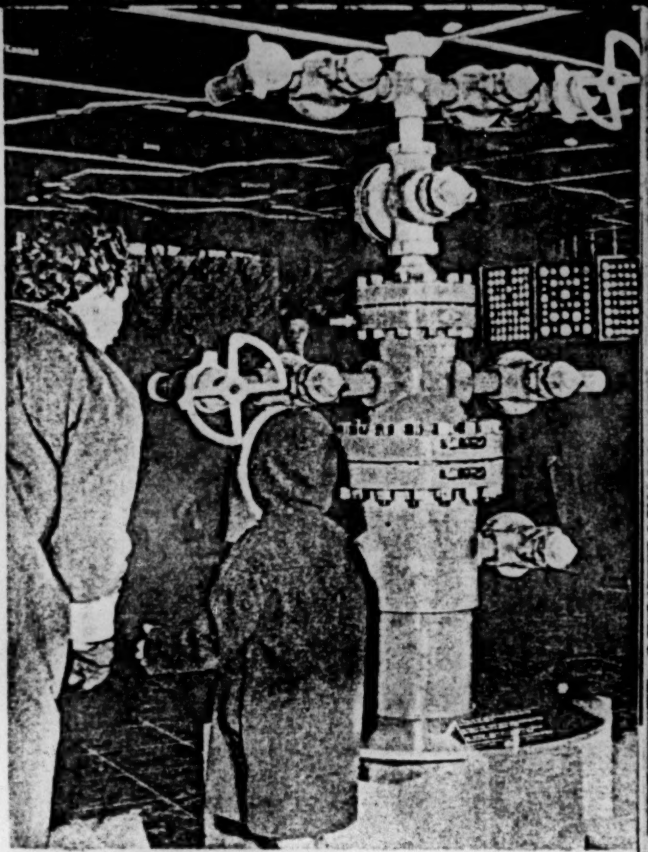
Newspaper Display ■
Etalage de journaux ▲
Dagbladen uitstalling ●

LE VISAGE DE L'AMERIQUE

▲ La section « le Visage de l'Amérique » accueille le visiteur à l'entrée principale. L'ensemble reflète divers aspects caractéristiques du passé, du présent et de l'avenir des Etats-Unis. Des reproductions illustrent un Etat, une région ou un évènement historique notable. Une automobile Ford de 1903 symbolise les débuts de la production automobile à la chaîne, qui a fait de l'Amérique une « nation sur roues ». Un morceau de redwood — de ces pins de Californie géants et centenaires — souligne l'ancienneté de la terre américaine. Des produits agricoles naturels ou de culture et des minéraux témoignent de la richesse du sol. L'édition géante du dimanche d'un quotidien américain actuel nous présente ses 480 pages.



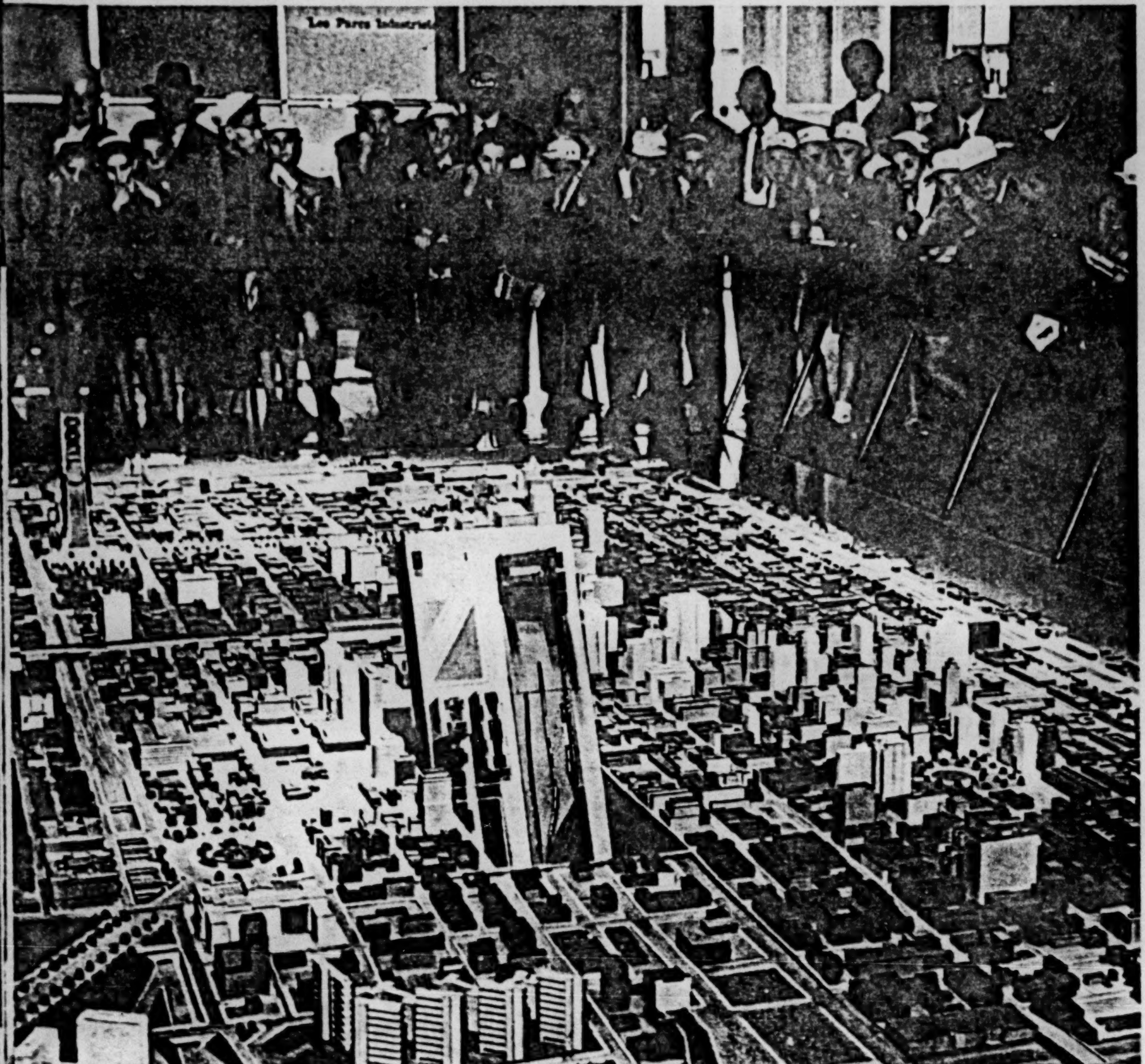
■ Vintage, 1903
▲ Modèle 1903
● Model 1903



■ Oil Well Regulator
▲ Régulateur de source de pétrole
● Regulator van petroleumbron

HET UITZICHT VAN AMERIKA

● De bezoeker krijgt een eerste contact met de Verenigde Staten in het paviljoen door « Het Uitzicht van Amerika » bij de hoofdingang. Dit geheel biedt een reeks verschillende indrukken die kenmerkend zijn voor het land en geeft een beeld van het verleden met tevens een uitzicht op de toekomst. Typische elementen, uit de natuur of het werk van de mens, identificeren een staat, een streek of een historische gebeurtenis. Daar is geëxposeerd een Ford van 1903 die de geboorte van de lopende band symboliseert, die van Amerika « een volk op wielen » heeft gemaakt. Een schijf uit een reusachtige eeuwenoude « redwood » boom herinnert de bezoekers aan de oudheid van het Amerikaanse land. Landbouwproducten, natuurlijke en gecultiveerde, en minerale producten geven de bezoeker een idee van de productiviteit van het land. Er is ook te zien een Zondag-uitgave van een der moderne dagbladen die 480 bladzijden telt.


Les Parcs Industriels

City of Philadelphia Model ■
Maquette de la ville de Philadelphie ▲
Model van de stad Philadelphia ●

CITY PLANNING AND INDUSTRIAL DEVELOPMENT

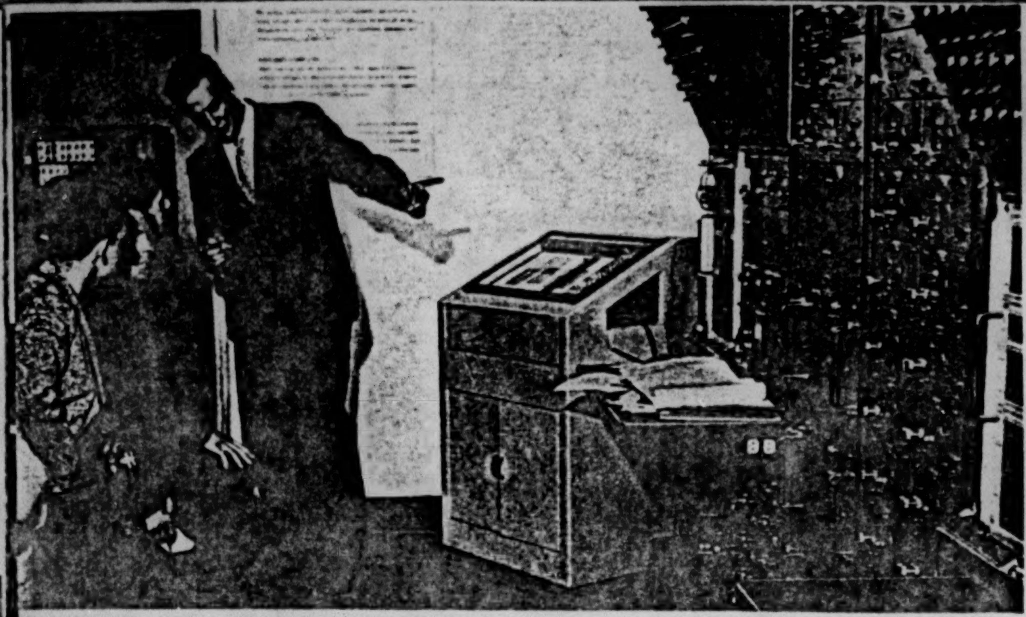
■ This area demonstrates how one American city of over 2,000,000 population is improving its housing, streets and parks; and how industry is made attractive in the community. A detailed scale model of the City of Philadelphia, including 45,000 buildings, 25,000 cars and buses and 12,000 trees, has movable parts which graphically demonstrate how new buildings are replacing old and obsolete structures, how streets and highways are being widened, how slums are being converted to modern apartments and park areas — under a vast community self-improvement program. A scale model of an "industrial park" shows how factory locations, by planning and landscaping, are made attractive, clean, healthy and imposing components of urban and suburban regions in America.

URBANISME ET DEVELOPPEMENT INDUSTRIEL

▲ Ce secteur du pavillon démontre comment une ville américaine de plus de deux millions d'habitants peut améliorer ses habitations, ses rues et ses parcs, et comment l'industrie peut s'intégrer favorablement dans la communauté. Une maquette détaillée de la ville de Philadelphie avec ses 45.000 bâtiments, 25.000 autos et autobus et 12.000 arbres, est composée de parties détachables qui montrent comment de nouveaux bâtiments en remplacent d'autres, trop anciens, comment rues et chaussées sont élargies, comment les taudis sont convertis en appartements modernes et plaines de jeux, le tout selon un programme qui obtient le concours de tous les citoyens intéressés. La maquette d'un « parc industriel » révèle comment un quartier d'usines, grâce à l'urbanisme, peut devenir plus joli, plus propre et plus imposant dans le cadre urbain et suburbain des Etats-Unis.

STEDEBOUW EN INDUSTRIELE ONTWIKKELING

● In deze sector wordt aangetoond hoe een Amerikaanse stad van meer dan twee miljoen inwoners haar huizen, straten en parken verbetert, en hoe men er in slaagt de industrie te integreren in de gemeenschap. Men ziet hier een model op schaal van de stad Philadelphia met 45.000 gebouwen, 25.000 wagens en bussen, en 12.000 bomen. Dit model heeft beweegbare delen welke op graphische manier aantonen hoe nieuwe gebouwen de oude en vervallen gebouwen vervangen, hoe straten en grote banen verbreed worden, en hoe krotwoningen de plaats ruimen voor moderne appartementsgebouwen en parken. Dit alles volgens een plan voor betere stedebouw. Een model op schaal toont aan hoe fabriekswijken, dank zij een zorgvuldige planning, aantrekkelijke, zindelijke, gezonde en indrukwekkende elementen worden van de stad en de aansluitende buitengemeenten in Amerika.



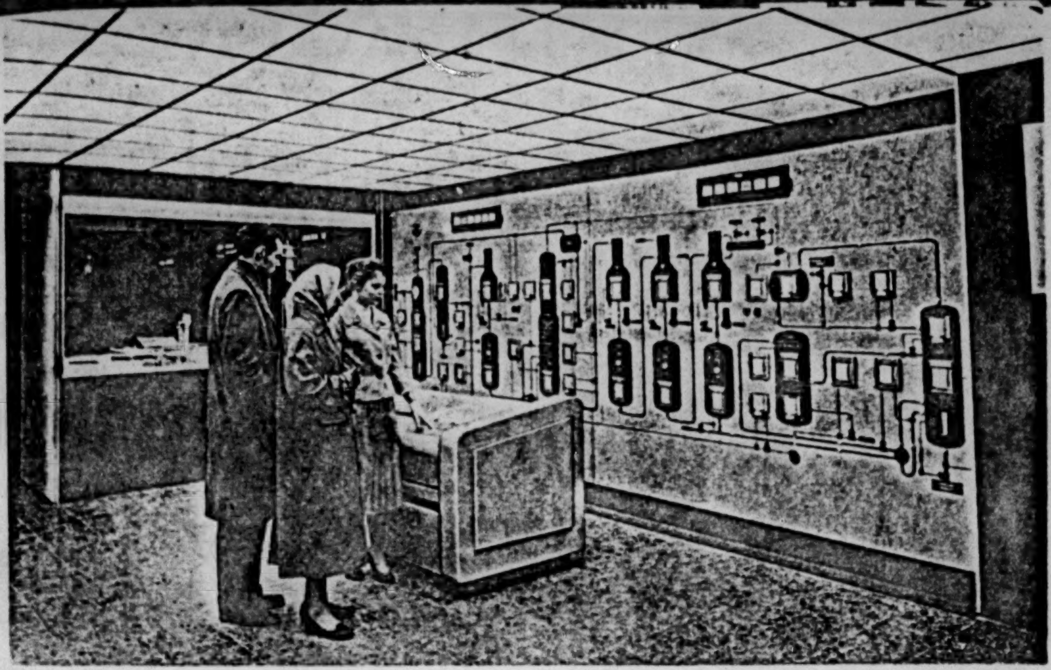
■ *Electronic Computer*
▲ *Ordinateur électronique*
● *Elektronische rekenmachine*

"RAMAC" ● ▲ ■

AUTOMATION

■ The benefits and practicalities of automation, an unparalleled achievement in the "continuing industrial revolution", are shown in working demonstrations of the automatic machines and "electronic memory" computers that men are using to create more material abundance and more leisure for individual creative and recreational pursuits. The central display is the giant "RAMAC" computer system which has been set up to answer questions of visitors on specific subjects in ten languages. Another section relates to the New York Stock Exchange, the market place which gives life and substance to the American free enterprise system.

■ *Electronic Computer*
▲ *Ordinateur électronique*
● *Elektronische rekenmachine*



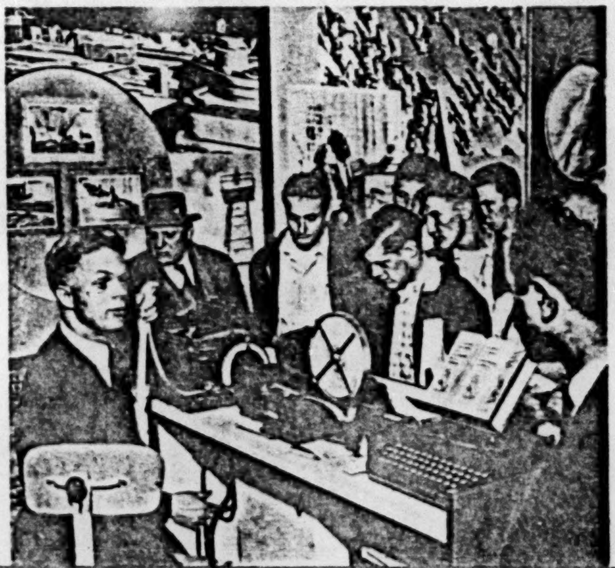
Automatic Oil Refinery Board ■
Tableau d'un raffinage d'huile automatique ▲
Bord van een automatische olierafinaderij ●

AUTOMATISATION

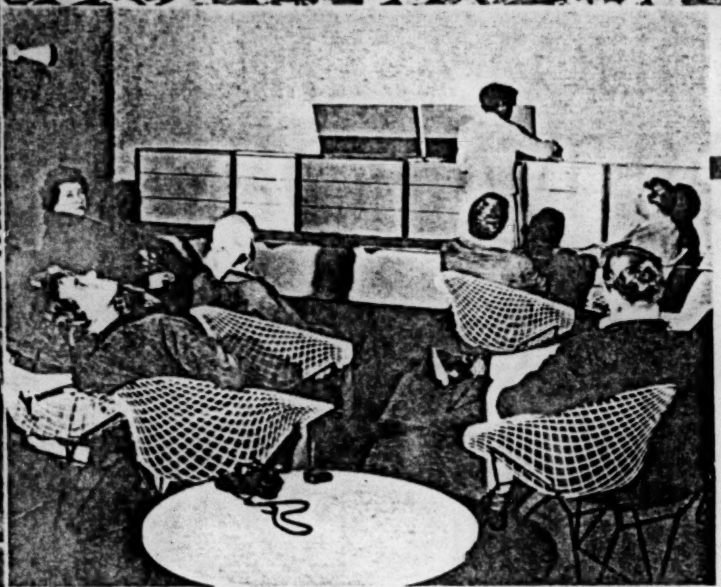
▲ Les avantages et les possibilités de l'automatisation, étape incomparable de la révolution industrielle en mouvement, sont expliqués par des démonstrations de machines automatiques et d'ordinateurs de « mémoire électronique ». Ainsi peut-on créer une plus grande abondance de biens et étendre le temps libre pour se livrer à des activités de création ou de récréation. Au centre se trouve l'ordinateur géant RAMAC qui peut répondre aux questions des visiteurs, dans des domaines déterminés et en dix langues. Un autre secteur se rapporte à la Bourse de New York, le marché financier qui assure vie et subsistance au système américain de libre entreprise.

AUTOMATIE

● De nuttige en practische voordelen voortspruitend uit automatie, een ongeëvenaarde verwezenlijking van de « bestendige industriële revolutie », kan de toeschouwer nagaan in de automatische machines aan het werk en in de computors van het « electronisch geheugen », dat thans gebruikt wordt om meer stoffelijke welvaart te verwekken en dat het individu meer vrije tijd geeft voor zijn scheppende bezigheden en voor zijn ontspanning. In het midden ziet men het reusachtige «RAMAC» computor systeem dat de vragen beantwoordt die de bezoekers kunnen stellen in tien verschillende talen. Een andere sectie heeft betrekking op de beurs van New York, de fondsenmarkt die het systeem van de vrije onderneming, waarop de Amerikaanse economie berust, in stand houdt.



Stock Exchange "Ticker" ■
«Ticker» à la Bourse ▲
Effektenbeurs «Ticker» ●



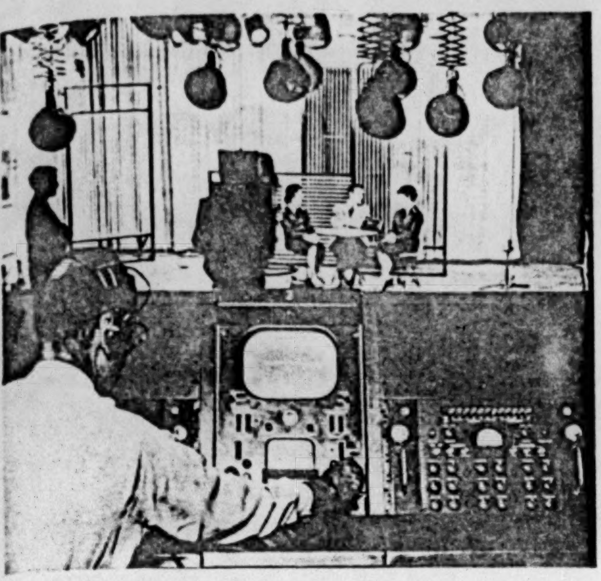
- ■ *Listening To Recorded Music*
- ▲ *Auditeurs de musique enregistrée*
- ● *Hoorders van muziekopnamen*

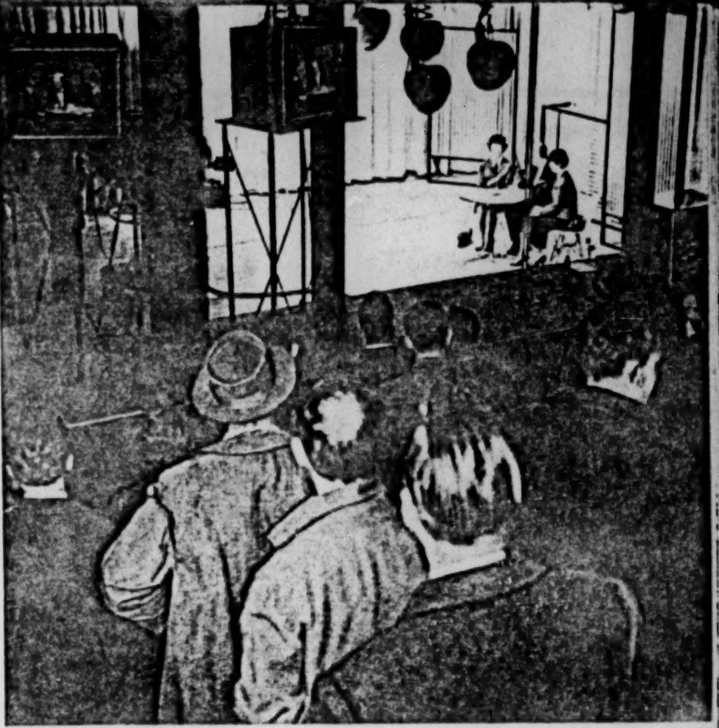
COLOR TELEVISION AND MUSIC ROOM

■ Color television, pioneered and developed in the United States, has a prominent role as a scientific as well as a cultural demonstration. A fully-operative color TV studio in the American Pavilion broadcasts regular programs, which can be viewed in "living color" on the TV receivers situated at vantage points. This is the first time in Europe for a demonstration of this duration. The studio area allows an audience of 400 to watch the actual equipment and technical procedures used in transmitting color TV images. Adjoining the TV studio is a special music room equipped with the latest high-fidelity and binaural sound equipment. Classical, contemporary and jazz recordings are played in this area throughout the time the Pavilion is open.

- ■ *Record Change*
- ▲ *Changement de disques*
- ● *Platenverwisseling*

TV Control Board ■
Tableau de contrôle - TV ▲
TV controlebord ●





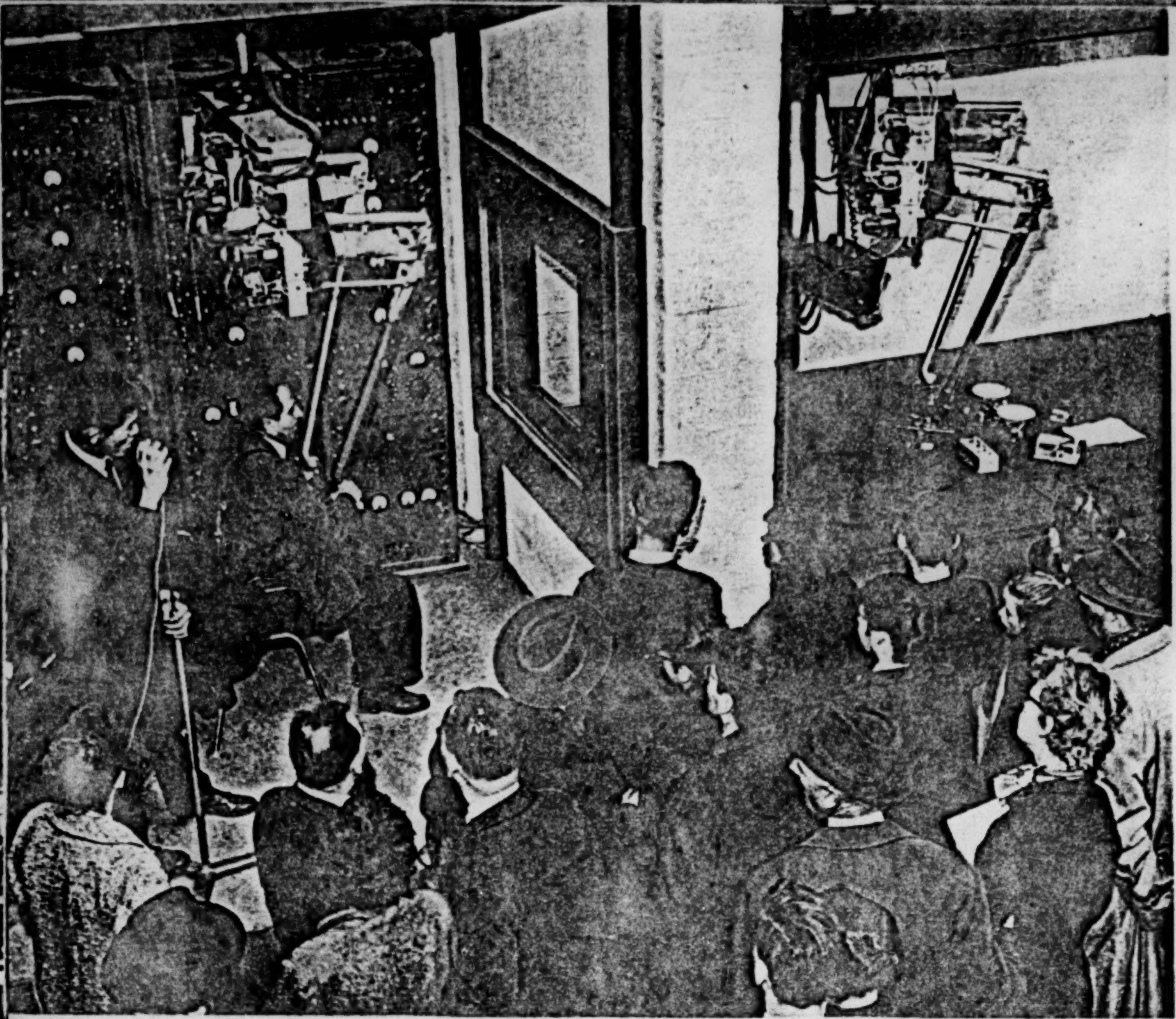
■ *TV Studio Audience*
▲ *Audience de studio de TV*
● *TV Studio toeschouwers*

TELEVISION EN COULEURS ET SALLE DE MUSIQUE

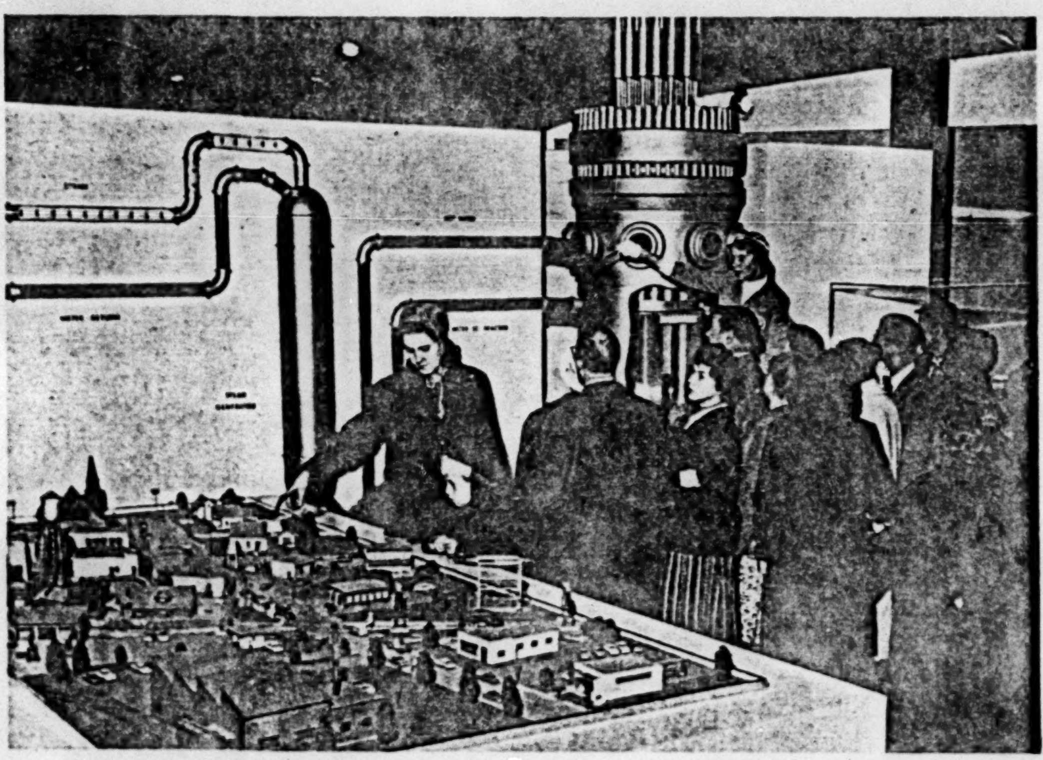
▲ La télévision en couleurs, qui a été créée et mise au point aux Etats-Unis, joue un rôle important en tant que démonstration scientifique et culturelle. Un studio complet de télévision en couleurs situé dans le pavillon émet des programmes réguliers qui peuvent être obtenus en « couleurs réelles » sur les récepteurs de télévision placés dans le voisinage. C'est la première démonstration de cette envergure en Europe. Le studio permet à 400 personnes de prendre connaissance de l'outillage et des procédés techniques de la transmission d'images télévisées en couleurs. Une salle de musique attenant au studio de télévision a été spécialement conçue pour les auditions de haute fidélité, et pendant toute la durée de l'Exposition des disques de musique classique et moderne et de musique de jazz pourront y être entendus.

KLEURTELEVISIE EN MUZIEKKAMER

● Kleurtelevisie, die ontworpen en ontwikkeld werd in de Verenigde Staten, is een belangrijk deel van de wetenschappelijke en culturele afdeling. Een volledige TV-studio in het Amerikaanse Paviljoen zal regelmatig programma's uitzenden die men in « levende kleuren » kan opvangen op de TV-apparaten op zekere plaatsen. Het is de eerste maal dat men in Europa zo lang een dergelijke omvangrijke demonstratie kan gadeslaan. In de studio kunnen 400 toeschouwers plaats vinden. Zij kunnen de uitrusting en de werking van de techniek nagaan wanneer kleurentelevisie uitgezonden wordt. Naast de TV-studio is een speciale muziekkamer met de meest moderne «high fidelity» en «binaurel» geluidsuitrusting. Klassieke, moderne en jazz platen worden in dit deel van het paviljoen gespeeld zolang het paviljoen openblijft.



Electro-Mechanical Hands ■
Mains électro-mécaniques ▲
Electro-mechanische handen ●



Atoms Serving the Community ■
L'atome au service de la communauté ▲
Het atoom ten dienste van de gemeenschap ●

NUCLEAR ENERGY AND INTERNATIONAL GEOPHYSICAL YEAR

■ These exhibits both emphasize the United States' desires and commitments to share the benefits of scientific research with other nations.

The atomic energy exhibit highlights America's development of peaceful uses for nuclear energy devices. (The United States is also a major contributor to the International Hall of Science.)

Graphic models illustrate America's current efforts in conjunction with 5,000 scientists of other nations to unlock the secrets of Antarctica, global weather and outer space.

L'ENERGIE NUCLEAIRE ET L'ANNEE GEOPHYSIQUE INTERNATIONALE

▲ Ces sections manifestent l'intention des Etats-Unis de partager avec les autres nations les conquêtes de la recherche scientifique.

La partie consacrée à l'énergie atomique souligne le développement des applications pacifiques de l'énergie nucléaire aux Etats-Unis. (Ceux-ci se trouvent également parmi les plus importants participants de l'exposition du Palais International de la Science).

Des graphiques illustrent les efforts actuels de l'Amérique qui, de concert avec 5.000 savants d'autres pays, tente de découvrir les secrets de l'Antarctique.

KERNKRACHT EN HET INTERNATIONAAL GEOPHYSISCHE JAAR

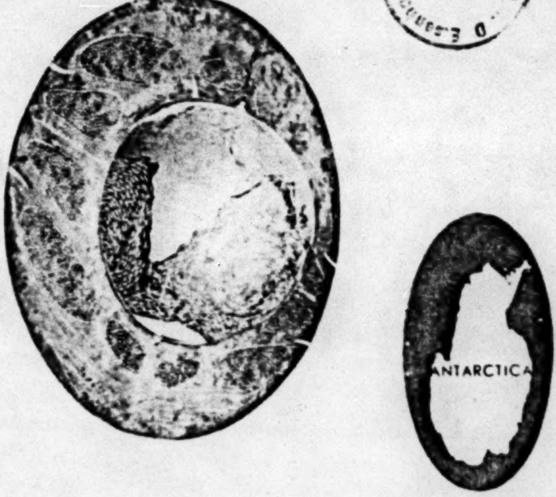
● Deze twee afdelingen onderstrepen allebei het feit dat de Verenigde Staten wensen en beloofd hebben hun ontdekkingen op wetenschappelijk gebied met andere naties te delen.

De afdeling gewijd aan de kernkracht illustreert wat er in Amerika gebeurd is op het gebied van het vredelievend gebruik van de kernkracht. (Amerika is ook een van de bizonderste deelnemers in de « Internationale Hall van de Wetenschap »).

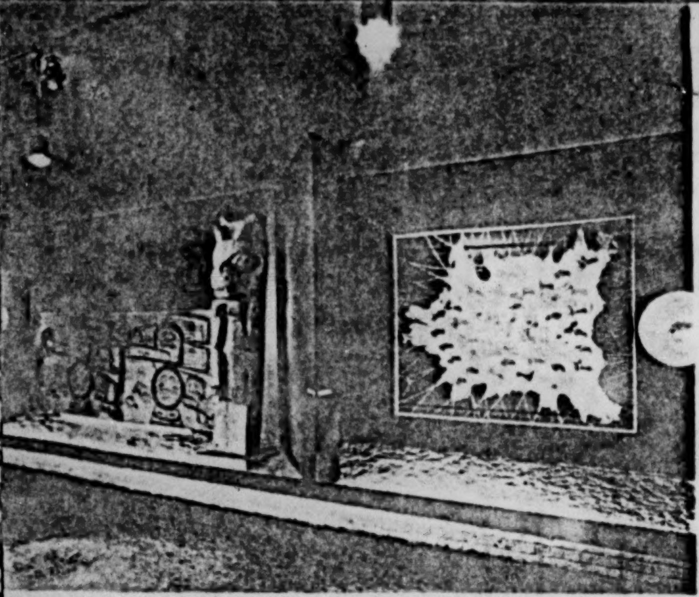
Grafische voorstellingen geven een beeld van wat de Amerikanen doen in samenwerking met 5.000 wetenschappelijke onderzoekers van andere landen om de geheimen van Antarctica, de wereldweersgesteltenis en de buitenste ruimte te ontsluieren.

Library

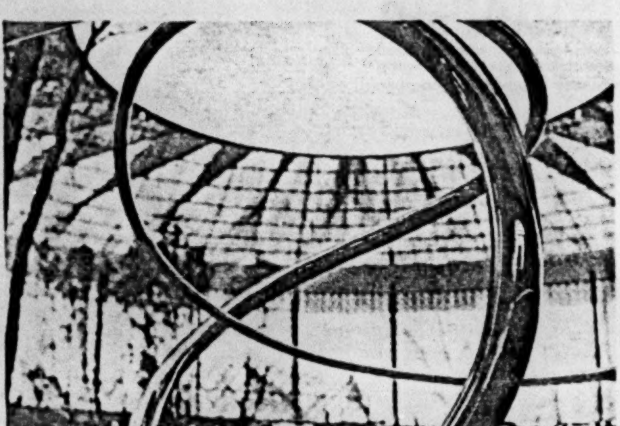
■ *Atom in Medicine*
▲ *L'atome dans la médecine*
● *Het atoom in de geneeskunde*



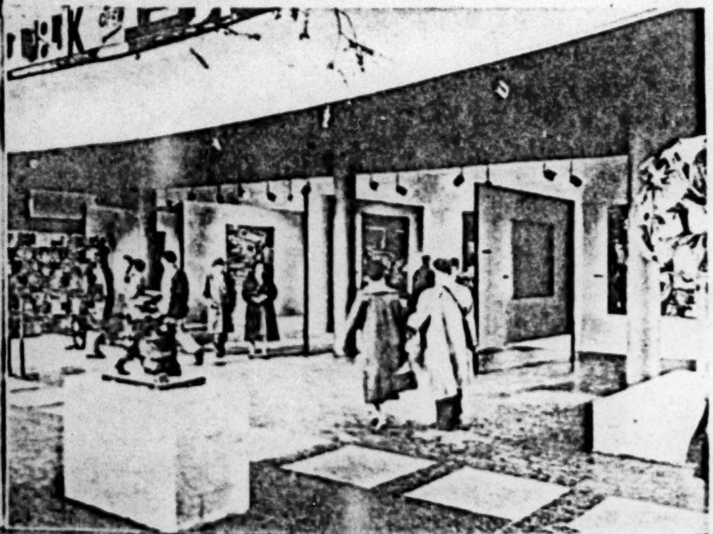
■ *Areas for Research*
▲ *Sections de la recherche scientifique.*
● *Afdelingen wetenschappelijk onderzoek*

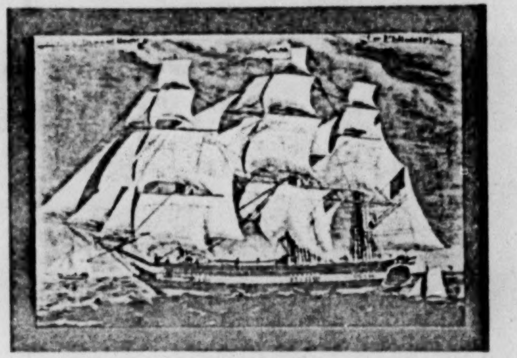


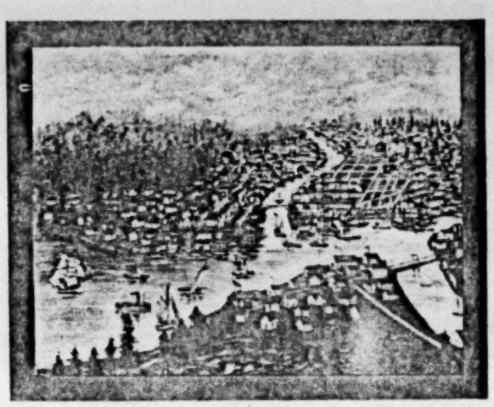
American Indian Art ■
Art indien américain ▲
Amerikaanse Indiaanse Kunst ●



Rivera, "Brussels Construction" ■
Rivera, «Sculpture de Bruxelles» ▲
Rivera, «Beeldwerk van Brussel» ●





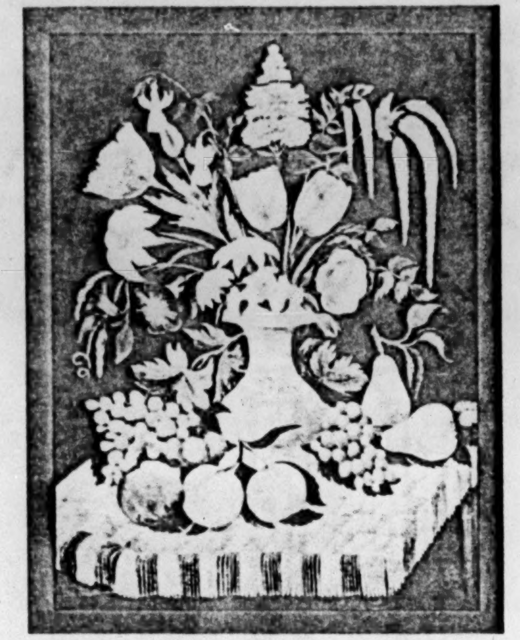


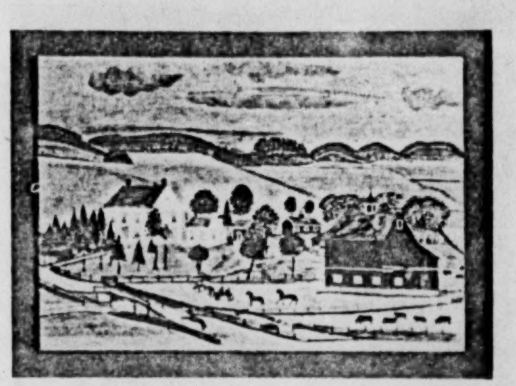
AMERICAN CONTEMPORARY, INDIAN, AND FOLK ART

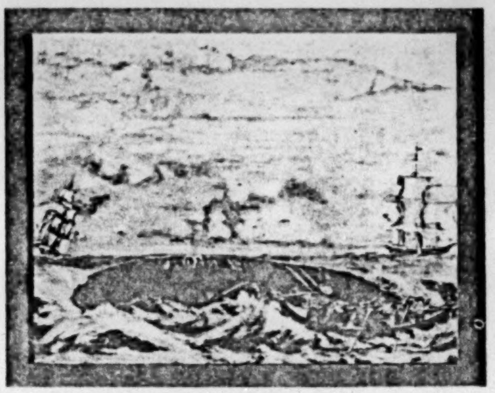
■ Art in America has a full presence and a rich past. It also has many sources. The Folk and Indian Art Exhibits display the styles and themes which these two sources have contributed at various periods of American history. The current interest in art and artistic expression is reflected in the part of the exhibit which shows representative works of young contemporary American artists. While showing the imprint of the American environment, the various works of sculpture and painting demonstrate the universality of human experience and ideals. (The United States is also represented in the International Fine Arts Exhibit.)

■ *Contemporary Art*
▲ *Art contemporain*
● *Hedendaagse kunst*

■ American Folk Art
▲ Art populaire américain
● Amerikaanse Volkskunst





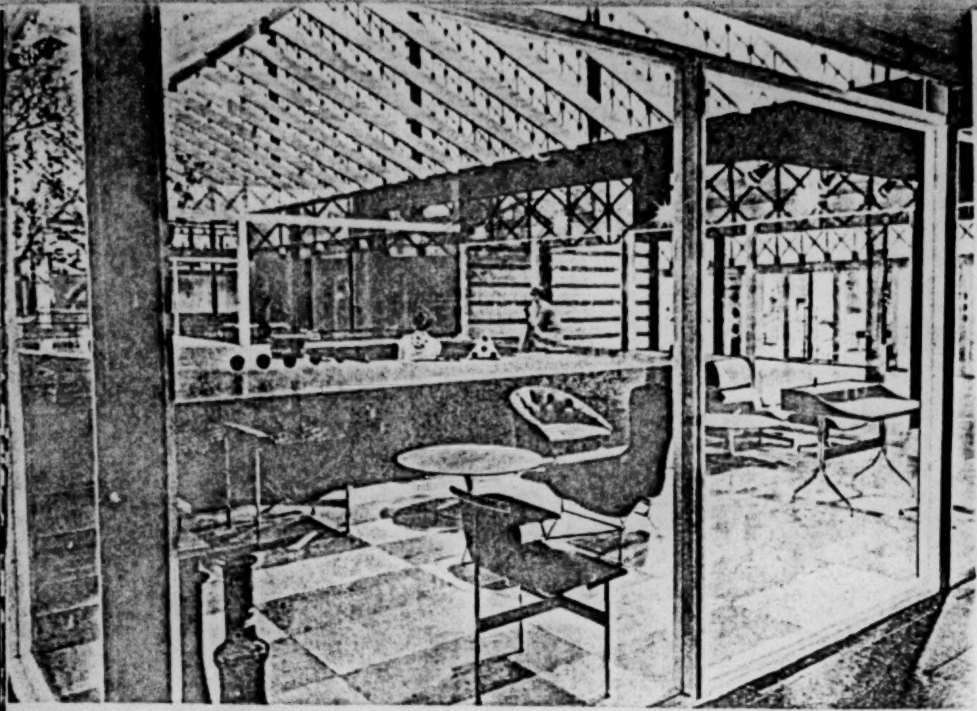


ART AMERICAIN CONTEMPORAIN, INDIEN ET POPULAIRE

▲ L'Art américain, qui possède un riche passé, est en plein essor. L'art populaire et l'art indien constituent deux des sources qui ont le plus contribué à la formation de la culture américaine à travers son histoire. L'intérêt actuel pour l'art et les moyens d'expression artistique se manifeste dans cette exposition, qui comprend des œuvres représentatives de jeunes artistes américains contemporains. Si ces œuvres portent la marque du milieu américain, elles témoignent aussi — que ce soit dans la peinture ou la sculpture — de l'universalité de l'expérience et des idéaux de l'homme. (Les Etats-Unis sont également représentés à l'Exposition Internationale des Beaux-Arts).

HEDENDAAGSE AMERIKAANSE, INDIAANSE EN VOLKSKUNST

● De Amerikaanse kunst is heden in volle bloei, en zij geniet van een rijk verleden. In de afdelingen gewijd aan volkskunst en Indiaanse kunst ziet men de stijlen en thema's die op verschillende perioden van de Amerikaanse geschiedenis invloed hebben gehad. De kunst van vandaag en de moderne kunstexpressie vindt men in dit deel van de sectie dat representatieve werken van jonge levende Amerikaanse kunstenaars laat zien. Alhoewel deze werken duidelijk het kenmerk dragen van de Amerikaanse omgeving waarin ze ontstaan zijn, bewijzen ze toch het universele karakter van de menselijke ervaring en de menselijké idealen. (De Verenigde Staten zijn ook vertegenwoordigd in de Internationale Tentoonstelling van Schone Kunsten).

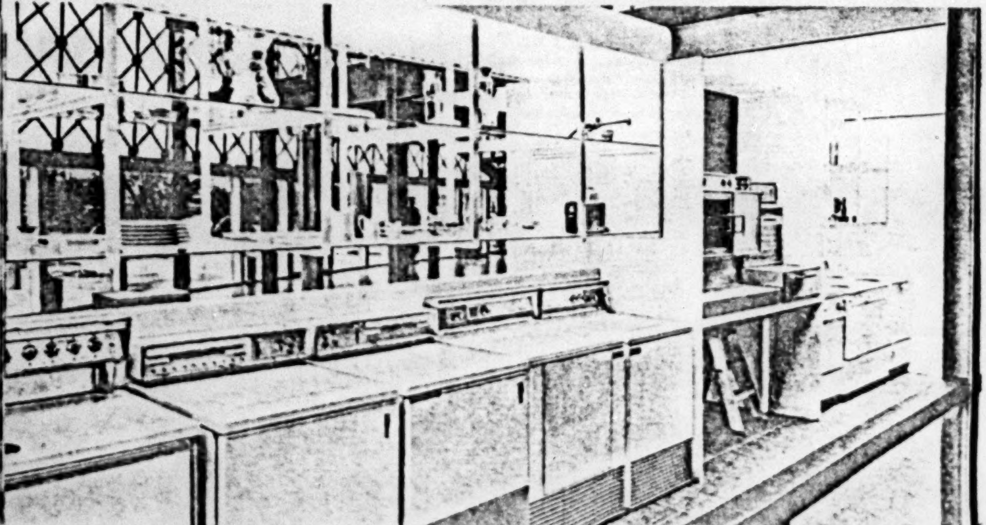


■ *Informal Living Room*
▲ *Living-room*
● *Woonkamer*

ISLANDS FOR LIVING

■ "Islands for Living" is an exhibit to suggest the characteristic living habits of Americans as reflected in their home surroundings — the kitchen, living room, dining area, bathroom, children's playroom, patio and garden. These include the furnishings, decor, equipment and the wide variety of consumer goods that generally make the American home so unique and distinctive. Mobility as an element of American life is expressed in articles that are light, portable and easily stored. Automatic appliances and disposable containers exemplify the desire to save time and energy. Equipment for outdoor-living in patio and garden, and children's toys emphasize that Americans have not forgotten the joys of nature and leisure for themselves and their offspring.

Electric Home Servants ■
« Serviteurs » électriques ▲
Electrische « huisdienaars » ●



■ *Electric Kitchen*
▲ *Cuisine électrique*
● *Electrische keuken*

Fashion Show ■
Défilé de mode ▲
Modeshow ●

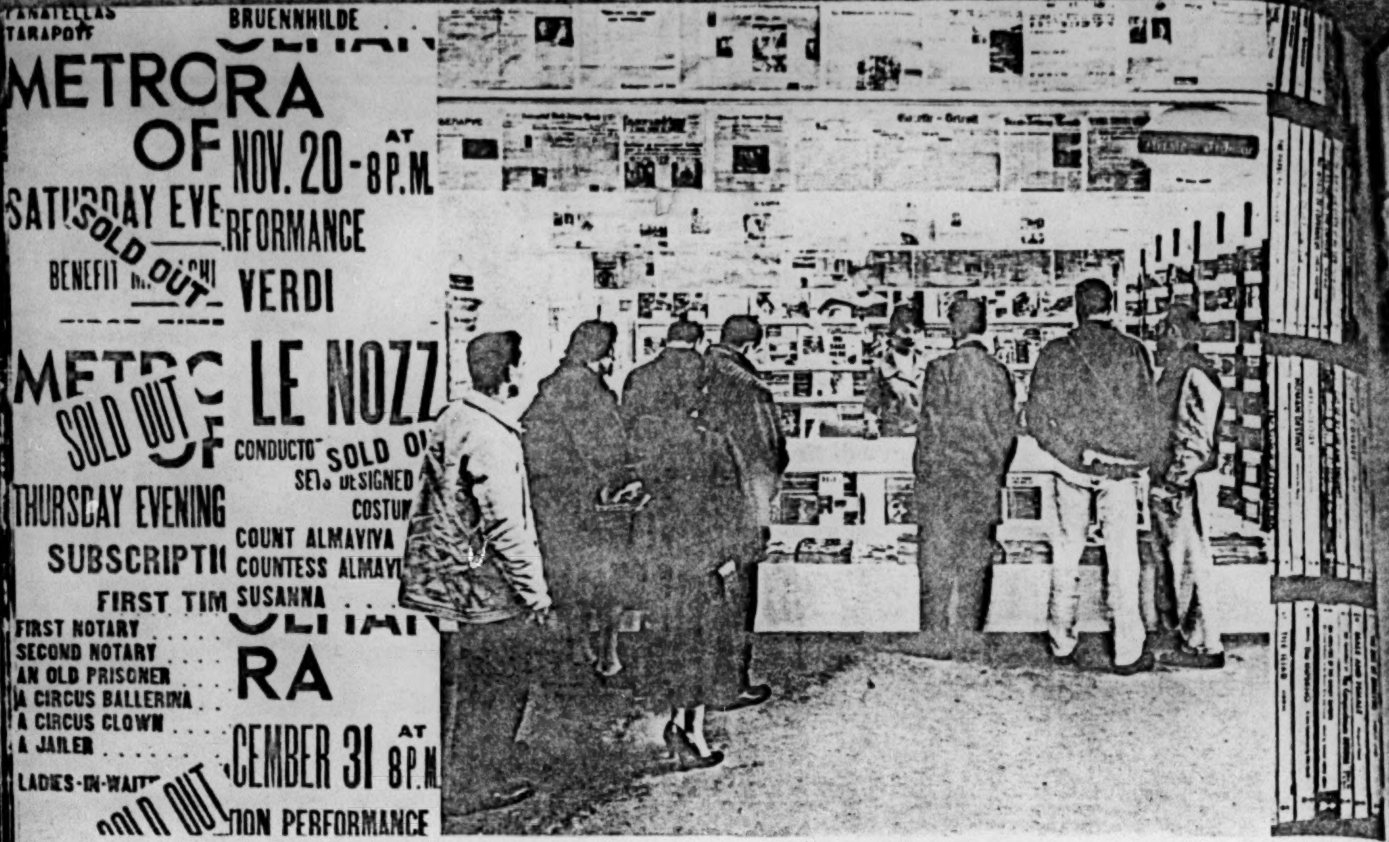
Mail-order Catalogs ■
Catalogues pour vente par correspondance ▲
Catalogi voor postbestellingen ●

MOSAIQUE DE LA VIE

▲ La section « Mosaïque de la vie » présente les décors de la vie quotidienne des Américains: la cuisine, le salon, la salle à manger, la salle de bain, la salle de jeux des enfants, le patio et le jardin. Ils évoquent l'ameublement, les éléments de décoration et les nombreux produits de consommation qui rendent le home américain si caractéristique. La mobilité, élément essentiel de la vie américaine, est exprimée par des articles légers, portatifs et facilement emmagasinables. Les appareils automatiques illustrent le désir de gagner du du temps et de dépenser le minimum d'énergie. L'outillage pour la vie en plein air, au patio et dans le jardin ainsi que les jouets démontrent que les Américains n'ont pas oublié les joies de la nature et la récréation pour euxmêmes et leurs enfants.

GREPEN UIT HET LEVEN

● « Grepen uit het leven » is een sectie die tot doel heeft aan te tonen hoe de Amerikanen thuis leven: in de keuken, de woonkamer, de eetkamer, de badkamer, de speelkamer voor de kinderen, het patio en de tuin. Hier ziet men het meubilair, de technische uitrusting en de grote variëteit van gebruiksgoederen die het Amerikaanse home zo uniek en typisch maken. De beweeglijkheid als element van het Amerikaanse leven blijkt uit een aantal artikelen die licht zijn, draagbaar en gemakkelijk om op te bergen. Dat men tijd en energie wil besparen is te merken aan de automatisatie van het huishouden en aan het gebruik van verpakkingen die men kan wegwerpen. De uitrusting voor het leven in open lucht, in het patio en in de tuin, en de speeltuigen voor kinderen, wijzen er op dat de Amerikanen het natuurgenot en de ontspanning niet verwaarlozen voor zichzelf en hun kinderen.


PANATELLAS
TARAPOTT
BRUENNHILDE
METROPOLITAN OPERA
OF
NOV. 20 - AT 8 P.M.
SATURDAY EVE
RFORMANCE
SOLD OUT
BENEFIT
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FIRST NOTARY
SECOND NOTARY
AN OLD PRISONER
A CIRCUS BALLERINA
A CIRCUS CLOWN
A JAILER
LADIES-IN-WAIT
RA
CEMBER 31 AT 8 P.M.
SOLD OUT
ION PERFORMANCE

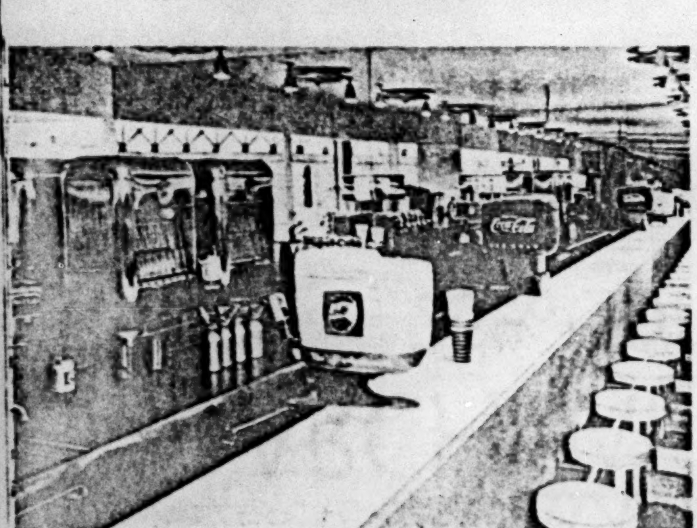
■ *Newspapers and Books*
▲ *Journaux et livres*
● *Dagbladen en boeken*

STREETSCAPE

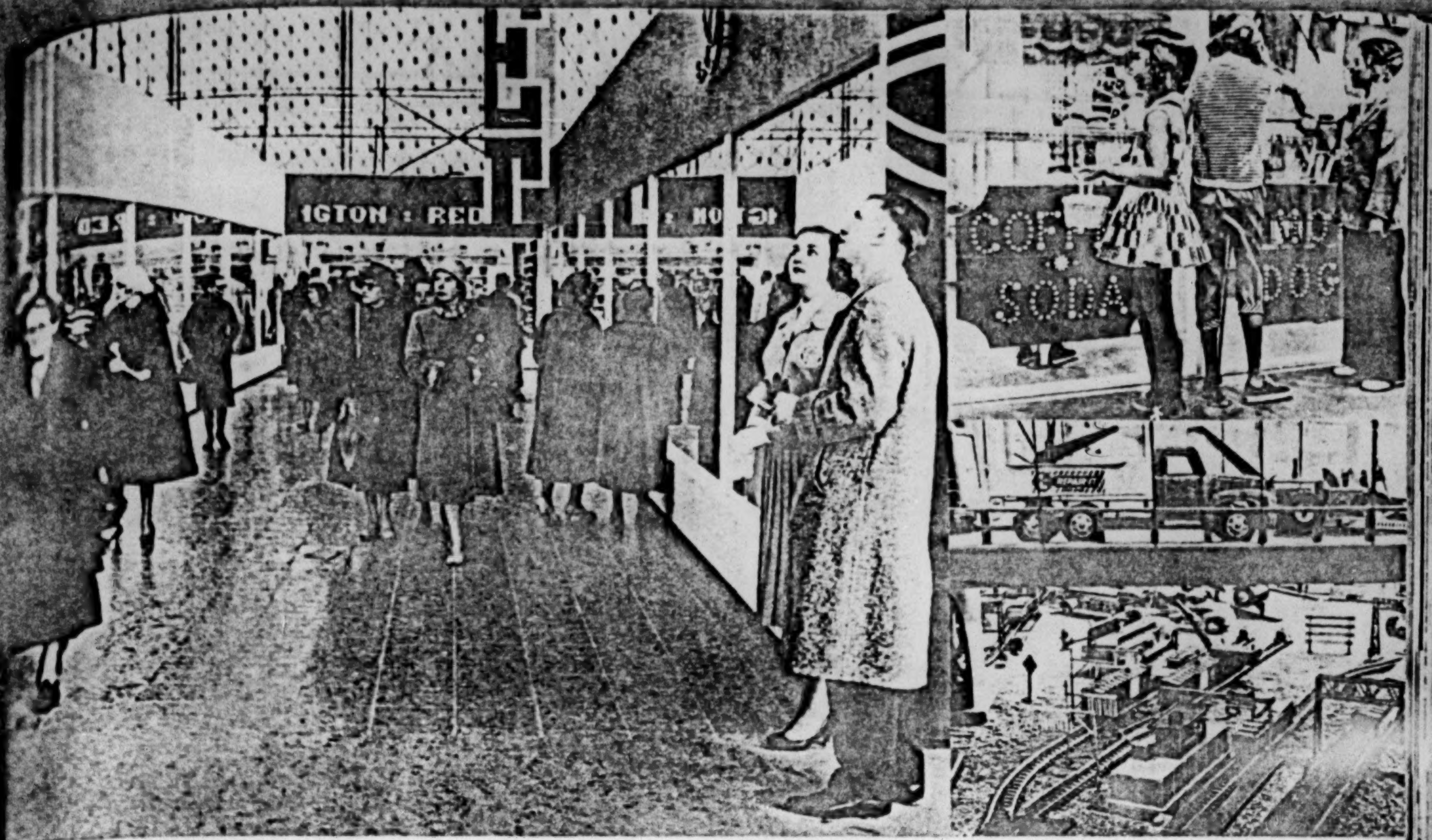
■ "Streetscape" presents a typical American street-scene in detail, from its concrete street to the traffic-control signs. A number of characteristic shop windows line each side of the 140-foot (42.7 m.) block. The window displays reflect the wide variety of goods and fashions available in "Main Street" department stores, hardwares, bookstores and speciality shops. A newsstand displays the newspapers and magazines for sale, many of them the foreign-language journals published in the United States. The drugstore serves American soda fountain specialities. The area also shows the traffic lights, parking meters, street signs and other indices. Even city wastebaskets are included among the commonplace articles so familiar on the American scene. Displayed nearby are giant photographs of American city skylines.

New York Skyscrapers ■
Gratte-ciel de New-York ▲
Wolkenkrabbers van New-York ●

U.S. MAIL
U.S. MAIL



■ *Drugstore "Soda Fountain"*
▲ *«Soda Fountain» d'un drugstore*
● *«Soda Fountain» van drugstore*



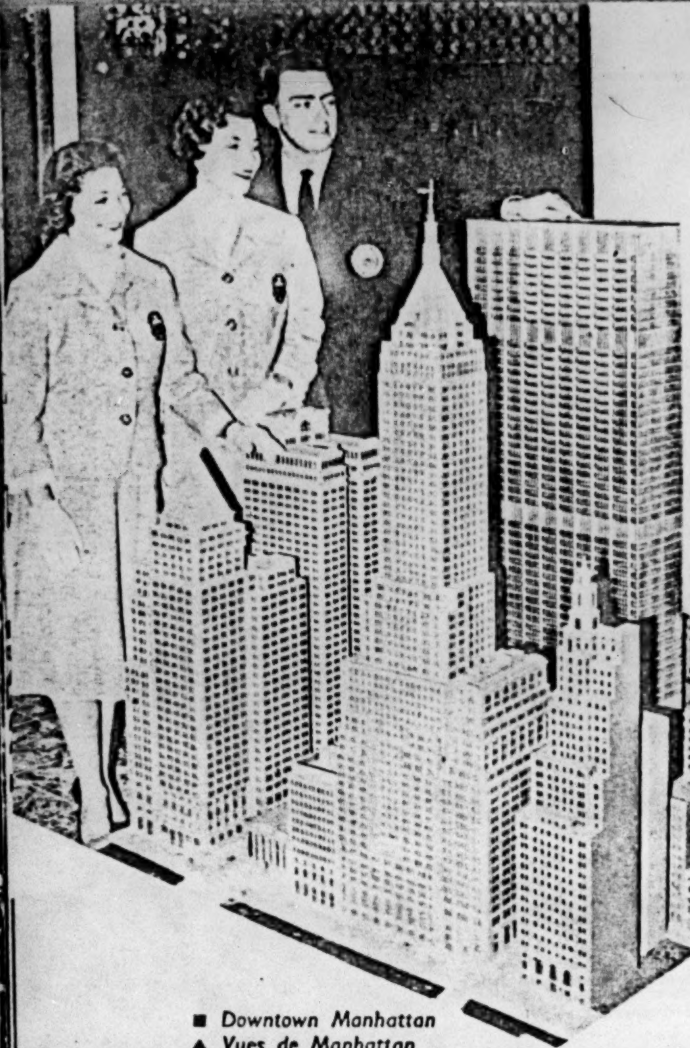
■ *Shop Windows*
▲ *Etalages*
● *Winkelramen*

RUE COMMERÇANTE

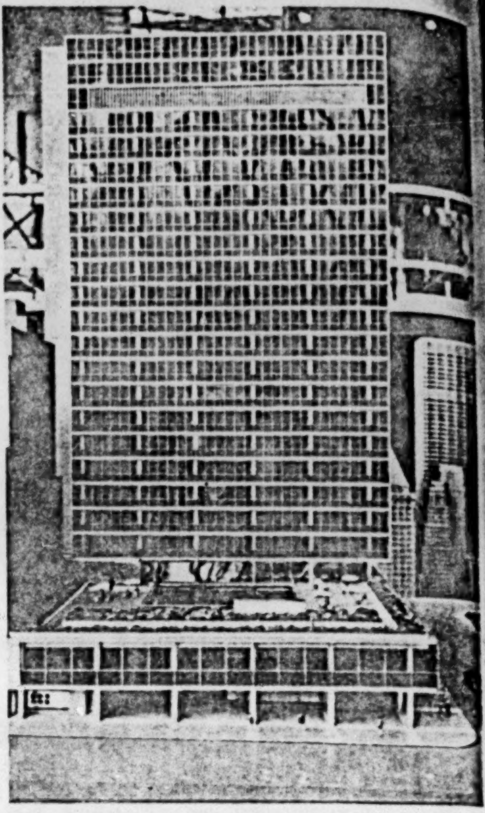
▲ « Streetscape » constitue une reproduction détaillée et typique d'une rue américaine, depuis la voie bétonnée jusqu'aux panneaux de circulation. Divers étalages se font face, de chaque côté de la rue, sur tout le pâté de maisons de 42,7 m. Les étalages représentent les différents produits vendus au Main Street ou rue principale, dans ses grands magasins, quincailleries, librairies et autres boutiques spécialisées. Un kiosque expose les journaux et revues du jour, ainsi que de nombreuses publications en langue étrangère éditées aux Etats-Unis. Le « drugstore » sert les spécialités du «Soda Fountain». On distingue encore les lumières de signalisation, les parcomètres, plaques indicatrices et autres signes. Même les petits paniers pour détritus ont été inclus dans ce décor d'articles si caractéristiques de la scène américaine. A proximité sont exposées des photographies géantes de profils de villes américaines.

WINKELSTRAAT

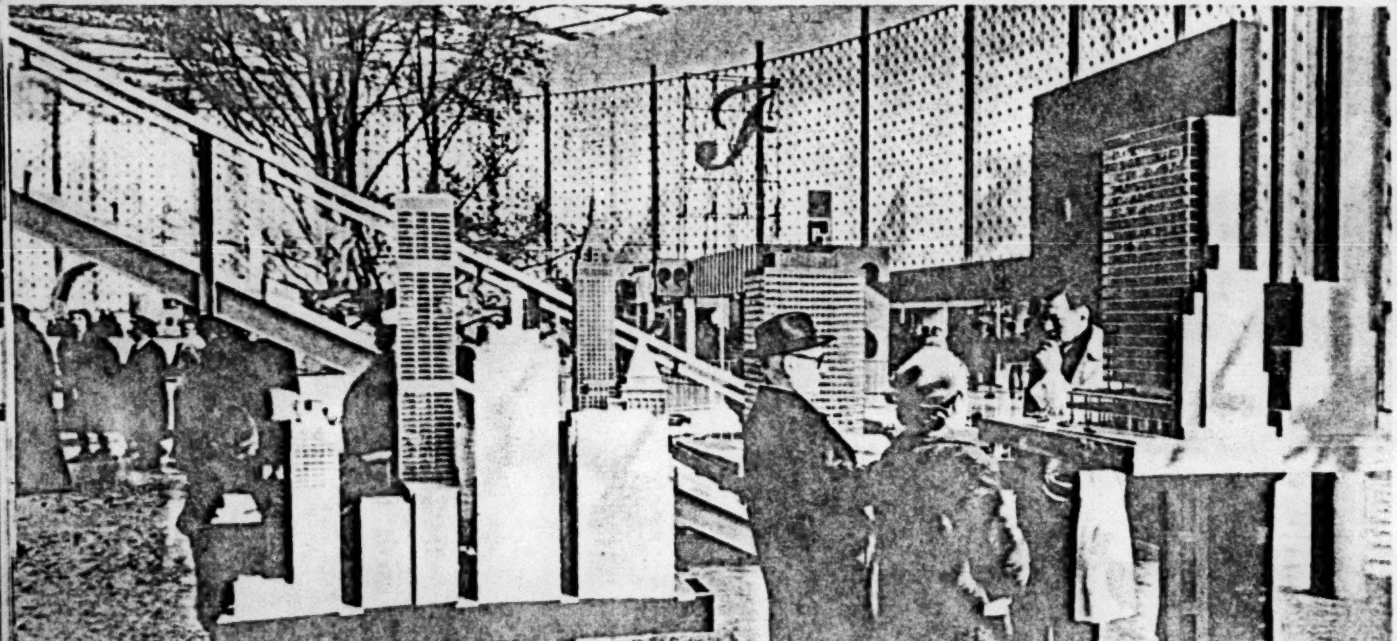
● « Streetscape » stelt een typische Amerikaanse straat voor, natuurgetrouw, vanaf de cementbestrating tot de verkeerslichten. Langs de 42,7 meter lange straat ziet men winkelramen die kenmerkend zijn voor Amerika. De etalages geven een idee van de grote variëteit van waren die in een « Main Street» te koop zijn. Er zijn grote warenhuizen, ijzergoedwinkels, boekwinkels en winkels voor allerlei specialiteiten. Een krantenhuisje verkoopt dagbladen en tijdschriften, waaronder een groot aantal publicaties in vreemde talen die in de Verenigde Staten uitgegeven worden. De «drugstore» serveert de Amerikaanse soda-specialiteiten. De straat heeft ook verkeerstekens, parkometers en andere typische kentekens van Main Street, zelfs papiermanden. In de nabijheid bevinden zich enorme foto's van profielen van verschillende steden.

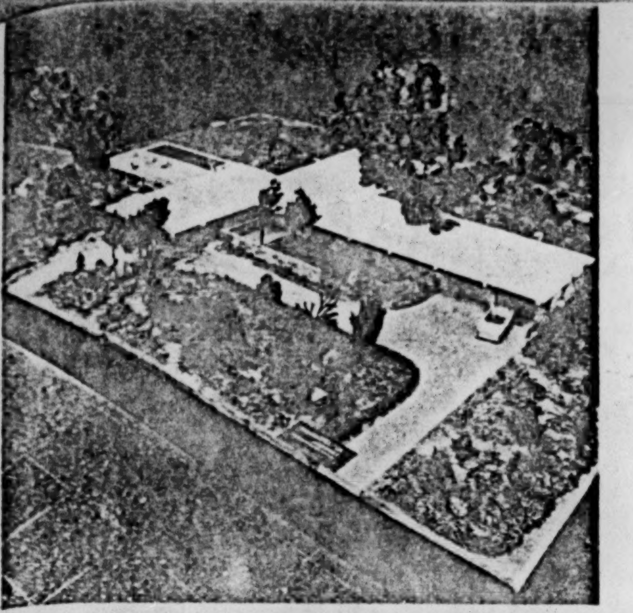


■ *Downtown Manhattan*
▲ *Vues de Manhattan*
● *Zichten van Manhattan*

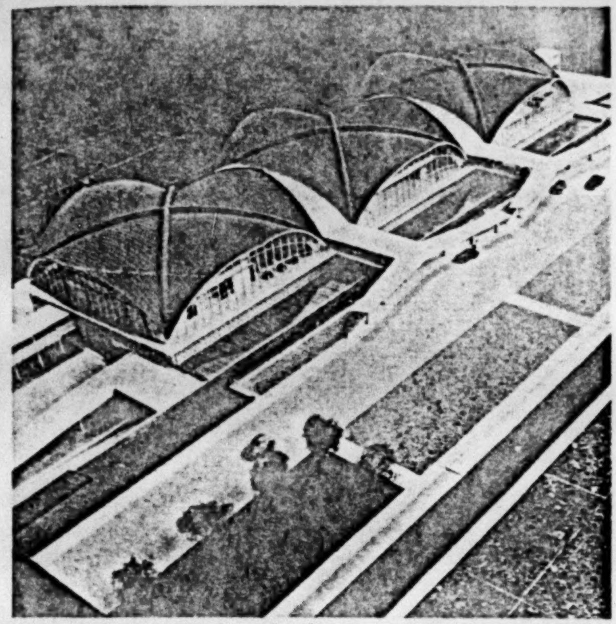


■ ▲ ● *"Lever House", New York*

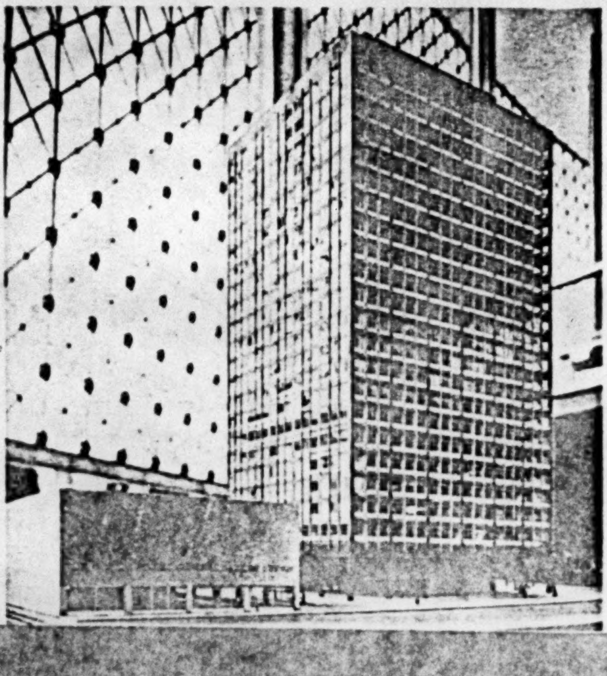




California Contemporary Home ■
Maison moderne en Californie ▲
Modern huis in Californië ●



St. Louis Airport ■
Aéroport de St. Louis ▲
Luchthaven van St. Louis ●



■ ▲ ● *"Mile High Center", Denver*

DOMESTIC AND INDUSTRIAL ARCHITECTURE

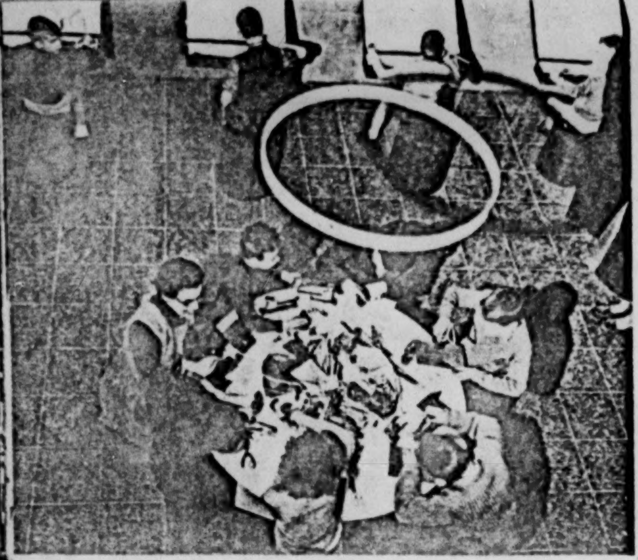
■ By scale models and photographs, this exhibit points up the diversity and styles to be found in modern American architecture, and the various approaches towards combining functional and aesthetic qualities. Emphasis is on attractiveness of design, light, airiness, and utilization of space. The models encompass a wide variety of contemporary industrial buildings, institutions, skyscrapers, office buildings, schools, churches, hospitals, shopping centers and individual dwellings.

ARCHITECTURE RESIDENTIELLE ET INDUSTRIELLE

▲ Par ses maquettes et ses photographies, cette section souligne la diversité de style qui caractérise l'architecture moderne aux Etats-Unis et les moyens divers de combiner les qualités fonctionnelles et les qualités esthétiques. L'accent est placé sur la beauté du style, la luminosité, la situation aérée et l'utilisation de l'espace. Les maquettes comprennent une grande variété de bâtiments industriels contemporains, d'institutions, de gratte-ciel, de bureaux d'affaires, d'écoles, d'églises, d'hôpitaux, de centres commerciaux et de résidences privées.

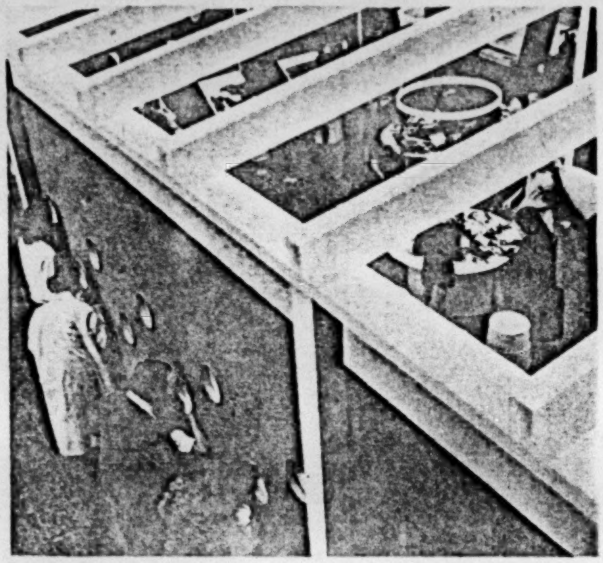
BURGERLIJKE EN INDUSTRIELE BOUWKUNST

● Door middel van maquetten en foto's toont deze afdeling de verscheidenheid en de stijlen die men in de Amerikaanse architectuur aantreft en de verschillende manieren waarop functionele en esthetische kwaliteiten gecombineerd worden. De nadruk wordt gelegd op een bekoorlijke lijn, op licht, luchtigheid en het gebruik van de ruimte. De maquetten stellen een grote verscheidenheid voor van hedendaagse industriële gebouwen, instellingen, wolkenkrabbers, kantoorgebouwen, scholen, kerken, ziekenhuizen, winkelcentra en privé woningen.



■ *Art Starts Young*
▲ *Le talent naît tôt*
● *Kunsttalent ontwaakt vroeg*

■ *Great Expectations*
▲ *Grandes espérances*
● *Grote verwachtingen*



■ *For Children Only*
▲ *Seulement pour enfants*
● *Enkel voor kinderen*

Well Pleased ■
Content de soi ▲
Tevreden ●

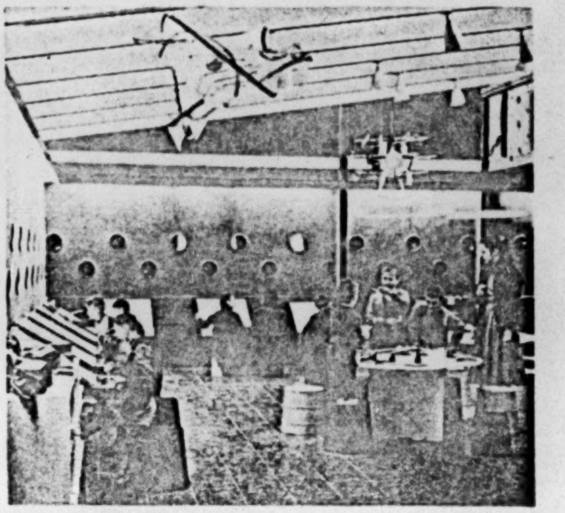
CHILDREN'S CREATIVE CENTER

■ The relationship between American parents and their children, and the attention devoted to encouraging their youngsters' interest in the creative arts, are exemplified in this area of the American Pavilion, open to children of all nations, age four to twelve. The imagination and spontaneous inventiveness of these children are given free play in the Center. No adults have access to it, but may observe from outside. The children first enter a play area containing toys designed to stimulate the imagination. They proceed from there to a studio equipped with easels, paints, work tables and other materials, where each youngster is free to express his ideas graphically. Three specially-trained teachers are on hand at all times to supervise the children's activities.

CENTRE CREATIF DES ENFANTS

▲ Les relations entre les parents américains et leurs enfants, ainsi que l'encouragement apporté par les parents à l'intérêt des enfants pour les arts créatifs, sont soulignés dans ce secteur du pavillon américain, qui est ouvert aux enfants de tous les pays de 4 à 12 ans. L'imagination et l'esprit inventif spontané de ces enfants reçoit libre cours au Centre. Aucun adulte n'y est admis, mais il est possible d'observer les enfants du dehors. Ceux-ci entrent d'abord dans une salle de jeu où ils découvrent des jouets conçus pour stimuler leur imagination. De là, ils se rendent dans un studio équipé de chevalets et de tables de travail où ils trouvent tous les instruments et le matériel qui leur permettent de s'exprimer graphiquement sous la surveillance de trois instructeurs spécialisés.

■ *Artist at Work*
▲ *Artiste à l'œuvre*
● *Artist aan het werk*

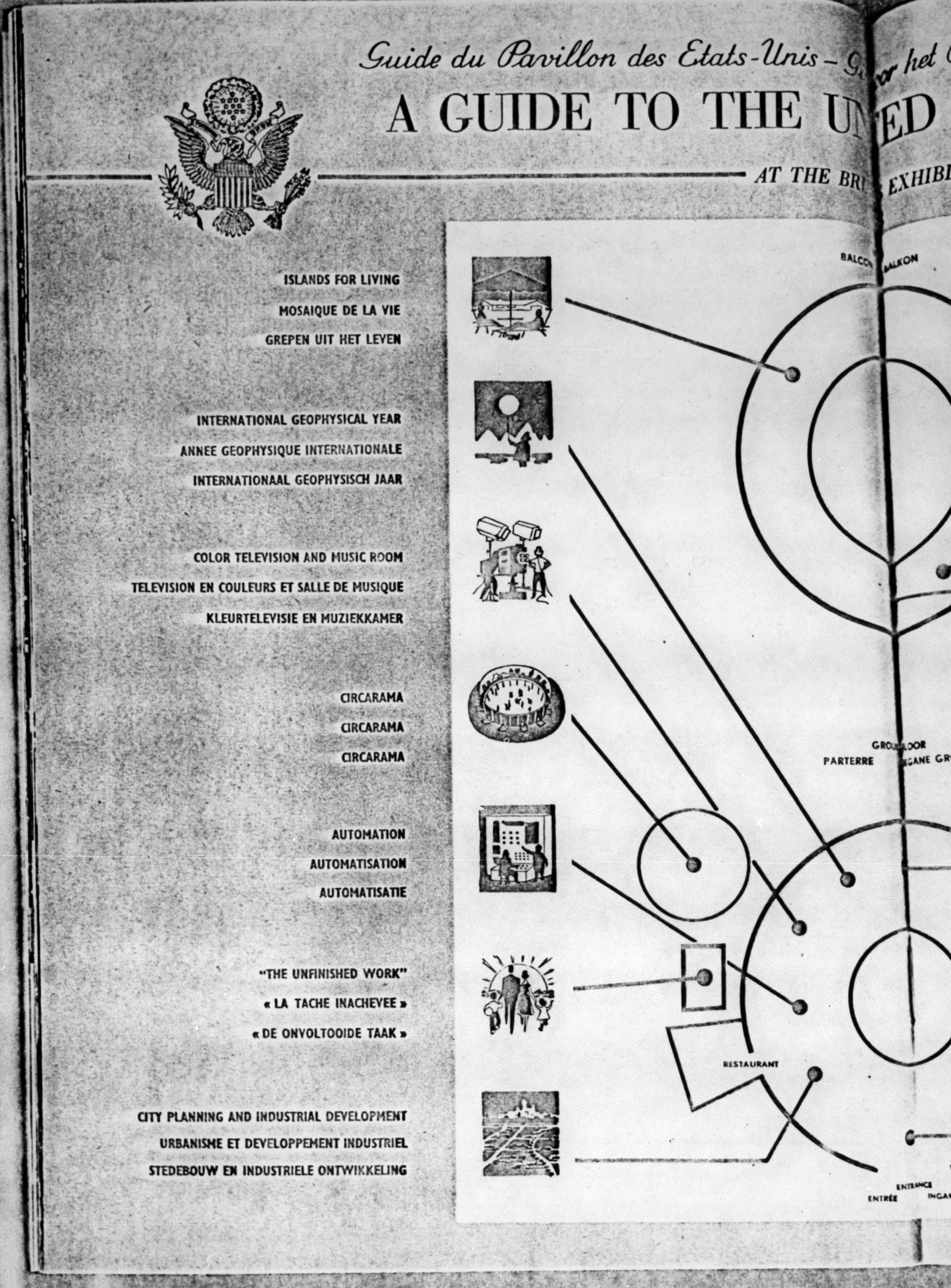


■ *Art Activities*
▲ *Activités artistiques*
● *Kunstactiviteiten*

CREATIEF CENTRUM VOOR KINDEREN

● De verhouding tussen Amerikaanse ouders en kinderen en de wijze waarop de belangstelling van de jongeren voor de creatieve kunsten wordt aangemoedigd, zijn het onderwerp van dit deel van het Amerikaans paviljoen, dat openstaat voor kinderen van alle landen van 4 tot 12. De fantasie en spontane verbeelding van deze kinderen krijgen in dit centrum vrij spel. Volwassenen hebben geen toegang maar zij kunnen wat er omgaat van buiten af zien. Eerst komen de kinderen in een speelkamer waar speelgoed voorhanden is dat de verbeelding stimuleert. Vandaar gaan ze naar een studio waar ze beschikken over schildersezels, verf, werktafels en andere materialen en waar ieder kind vrij zijn ideeën grafisch kan uitdrukken. Zolang het paviljoen open is zijn er drie speciaal getrainde leraren aanwezig die de werkzaamheden van de kinderen controleren.

■ *A Precious Souvenir*
▲ *Un souvenir précieux*
● *Een waardevol souvenir*



Guide du Pavillon des Etats-Unis – G voor het

A GUIDE TO THE U ED

AT THE BR EXHIBI

ISLANDS FOR LIVING
MOSAIQUE DE LA VIE
GREPEN UIT HET LEVEN

INTERNATIONAL GEOPHYSICAL YEAR
ANNEE GEOPHYSIQUE INTERNATIONALE
INTERNATIONAAL GEOPHYSISCH JAAR

COLOR TELEVISION AND MUSIC ROOM
TELEVISION EN COULEURS ET SALLE DE MUSIQUE
KLEURTELEVISIE EN MUZIEKKAMER

CIRCARAMA
CIRCARAMA
CIRCARAMA

AUTOMATION
AUTOMATISATION
AUTOMATISATIE

"THE UNFINISHED WORK"
« LA TACHE INACHEVEE »
« DE ONVOLTOOIDE TAAK »

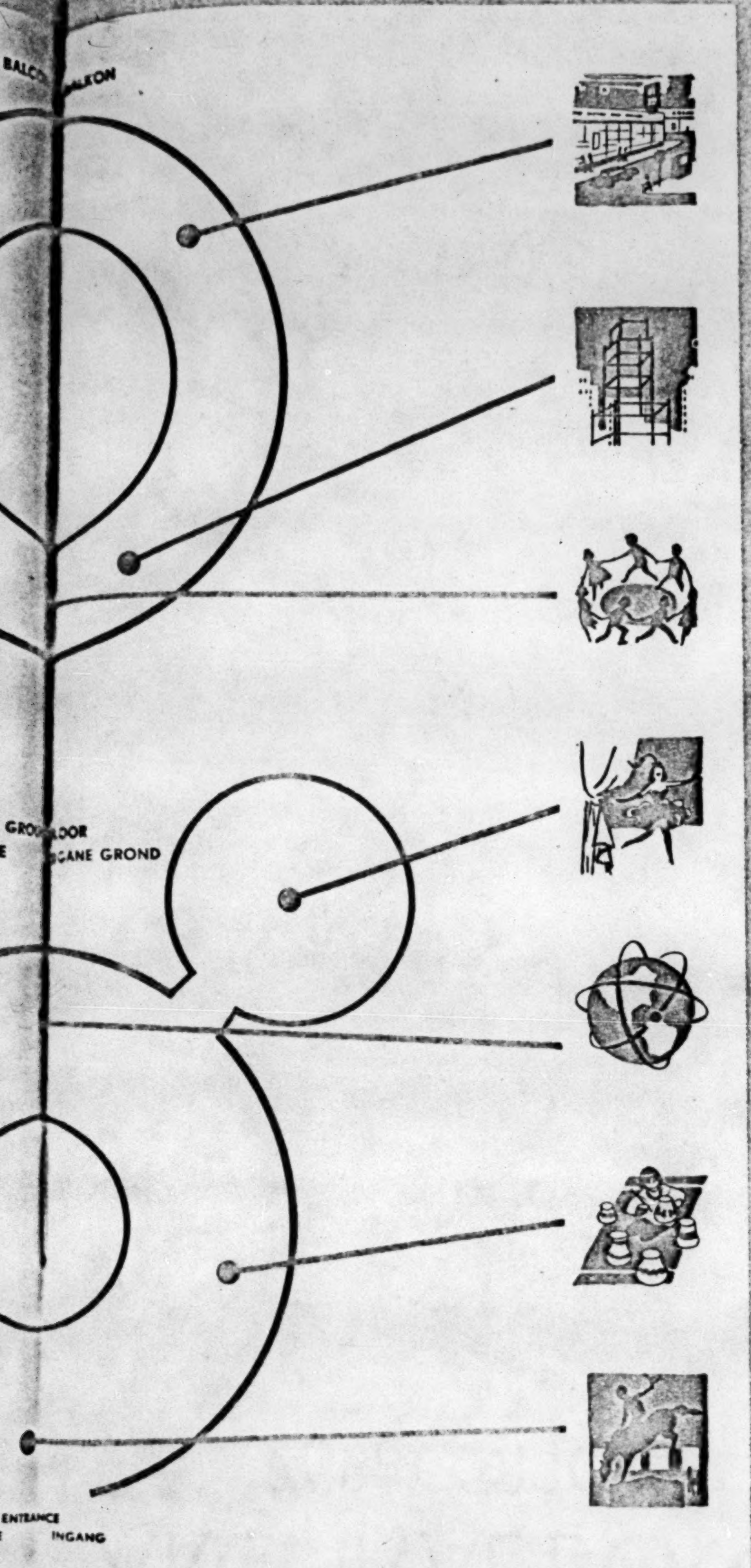
CITY PLANNING AND INDUSTRIAL DEVELOPMENT
URBANISME ET DEVELOPPEMENT INDUSTRIEL
STEDEBOUW EN INDUSTRIELE ONTWIKKELING

BALCO
BALKON
GROU OOR
PARTERRE
GANE GR
RESTAURANT
ENTRANCE
ENTRÉE
INGA

r het Paviljoen van de Verenigde Staten

U ED STATES PAVILION

BR EXHIBITION



STREETSCAPE
RUE COMMERÇANTE
WINKELSTRAAT

DOMESTIC AND INDUSTRIAL ARCHITECTURE
ARCHITECTURE RESIDENTIELLE ET INDUSTRIELLE
BURGERLIJKE EN INDUSTRIELE BOUWKUNST

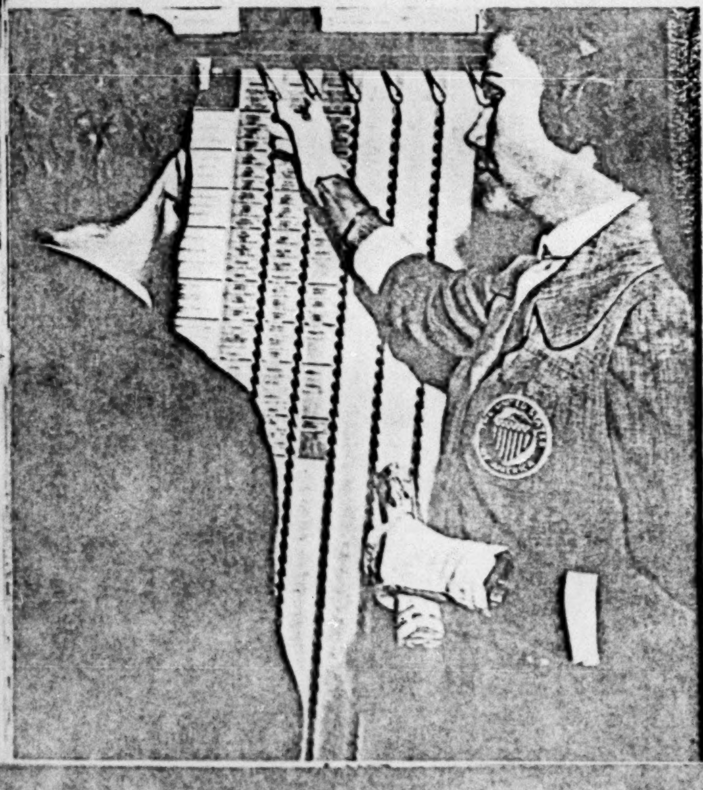
CHILDREN'S CREATIVE CENTER
CENTRE CREATIF DES ENFANTS
CREATIEF CENTRUM VOOR KINDEREN

THE AUDITORIUM
L'AUDITORIUM
HET AUDITORIUM

NUCLEAR ENERGY
ENERGIE NUCLEAIRE
KERNKRACHT

AMERICAN CONTEMPORARY, INDIAN AND FOLK ART
ART AMERICAIN CONTEMPORAIN, INDIEN ET POPULAIRE
HEDENDAAGSE AMERIKAANSE, INDIAANSE EN VOLKSKUNST

THE FACE OF AMERICA
LE VISAGE DE L'AMERIQUE
HET UITZICHT VAN AMERIKA



VOTING MACHINES

■ At the specific suggestion of President Eisenhower, six voting machines have been installed in the United States Pavilion to underscore America's system of free elections and emphasize the secret ballot upon which American democracy is based. Visitors have the opportunity to use the machines themselves. The six machines are electrically operated and register total numbers of votes as in a modern automatic adding machine.

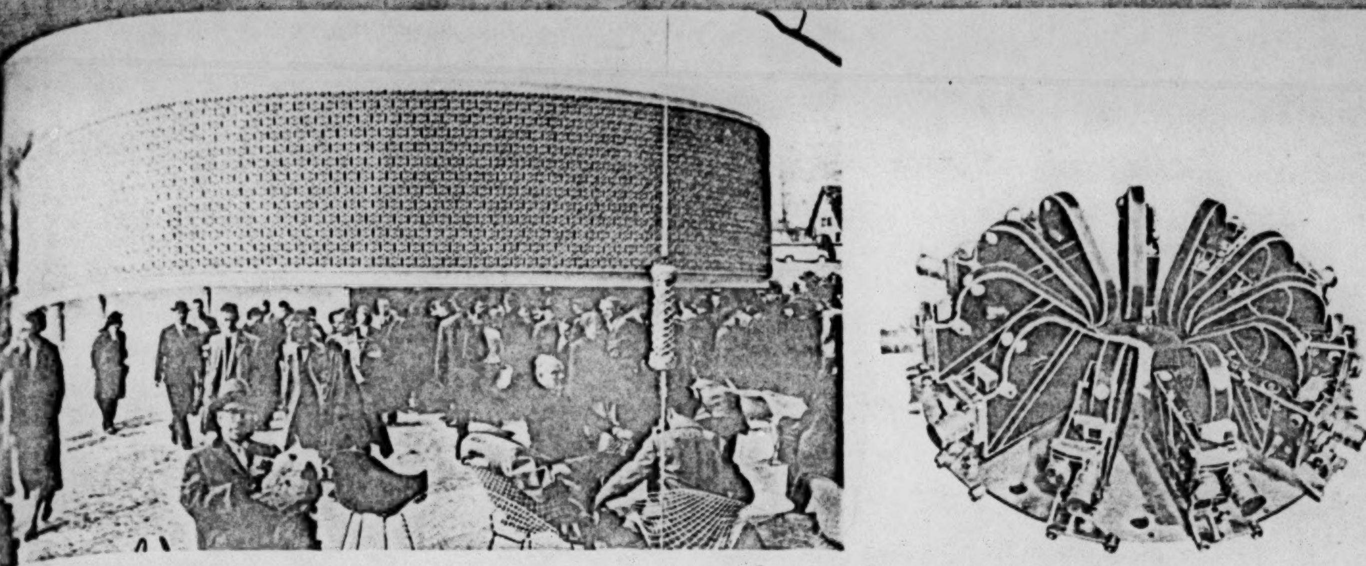
MACHINES A VOTER

▲ Suivant une suggestion personnelle du Président Eisenhower, six machines à voter ont été installées dans le pavillon des Etats-Unis pour illustrer le système d'élections libres de l'Amérique et mettre l'accent sur le bulletin de vote secret, base même de la démocratie américaine. Les visiteurs peuvent actionner eux-mêmes ces machines qui opèrent électriquement et enregistrent, à la manière d'une machine à calculer automatique, le nombre total de voix obtenues par les divers candidats.

STEMMACHINES

● Op aandringen van President Eisenhower werden in het Paviljoen van de Verenigde Staten zes stemmachines geïnstalleerd om het systeem van vrije verkiezingen bij geheime stemming te onderstrepen waarop de Amerikaanse democratie gegrondvest is. De bezoekers kunnen zelf de machines gebruiken. De zes machines worden electrisch bediend en tellen het totaal der stemmen op zoals een moderne automatische telmachine dat doet.

■ *Explaining the Secret Vote*
▲ *Le vote secret expliqué*
● *De geheime stemming uitgelegd*



■ Circarama Theater and Multiple Cameras
▲ Théâtre du Circarama et diverses caméras
● Circarame theater en veelvuldige camera's

CIRCARAMA

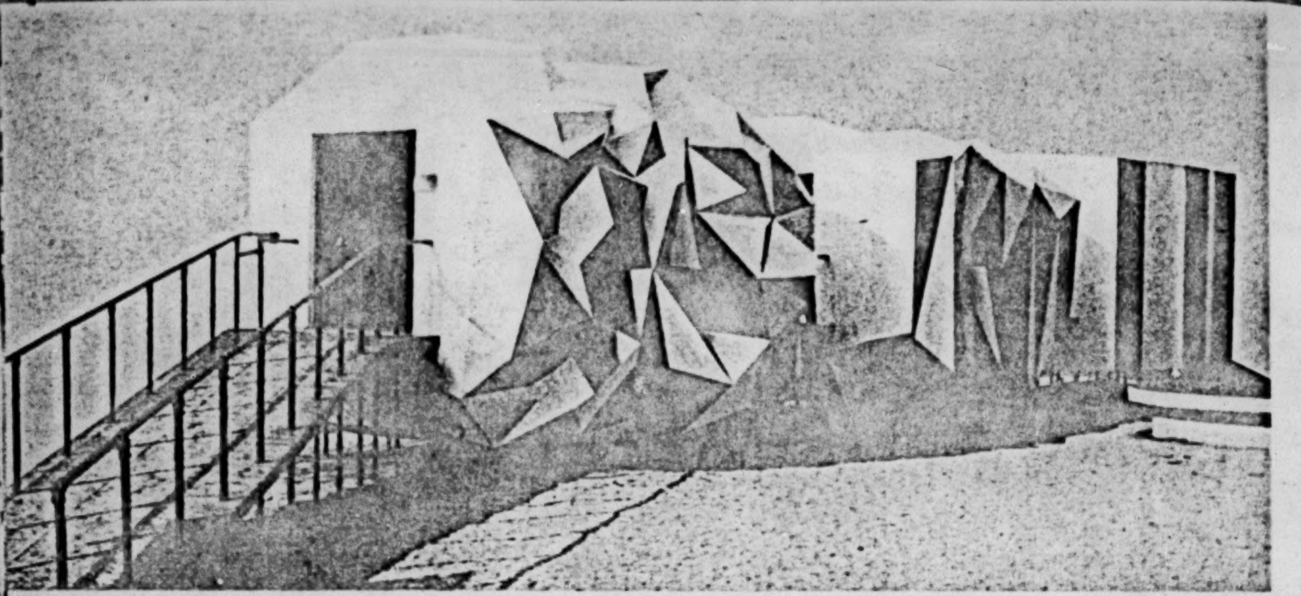
■ "Circarama", the newest motion-picture technique, is shown for the first time outside the United States at the Brussels Exhibition, and is used in this setting to take visitors to the American Pavilion on a colorful cinematic tour of the United States. Shown in a special auditorium equipped with eleven synchronized projectors, the picture literally puts the viewer "in the middle" of scenes of American cities and towns, factories and rural areas from coast to coast, projected on a 206-foot (62.8 m.) long screen which completely surrounds the audience with sight and sound. Specially-equipped photographic airplanes toured the United States for these scenes, the best of which appear on the giant Circarama screen . . . the next best thing to an actual visit to the United States itself.

CIRCARAMA

▲ Dernière née des techniques cinématographiques, le « Circarama » est présenté pour la première fois hors des Etats-Unis à l'Exposition de Bruxelles. Il emmène les visiteurs du Pavillon américain dans une randonnée pittoresque à travers les Etats-Unis. Un auditorium spécial équipé de onze projecteurs synchronisés a été aménagé pour la projection d'un film qui situe véritablement le spectateur au cœur des villes et des villages américains, des usines et des campagnes qui se succèdent de l'Atlantique au Pacifique. Le film est projeté sur un écran de 62,8 m. de long qui entoure complètement le spectateur. Des avions ont photographié spécialement ces scènes américaines pour « Circarama » et seules les meilleures sélections sont présentées ici. On ne peut imaginer plus attachante introduction à la vie des Etats-Unis.

CIRCARAMA

● Voor het eerst wordt «Circarama», de jongste cinema-techniek, buiten de Verenigde Staten getoond op de Brusselse Tentoonstelling. Het heeft tot doel de bezoeker van het Amerikaanse Paviljoen mee te nemen op een kleurrijke cinematografische rondreis door de Verenigde Staten. Circarama is te zien in een auditorium uitgerust met elf gesynchroniseerde projectoren: het beeld stelt de toeschouwer letterlijk « in het midden » van Amerikaanse steden en gemeenten, van fabrieken en landbouwstreken van de ene kust naar de andere. De projectie geschiedt op een doek dat 62,8 meter lang is en de toeschouwer geheel omringt met beeld en klank. De zichten werden opgenomen vanuit vliegtuigen die speciaal waren uitgerust met fotoapparaten en die over het hele land vlogen. De beste scènes verschijnen op het doek van Circarama. Alleen het bezoek aan de Verenigde Staten kan een beter beeld van het land geven.



"THE UNFINISHED WORK"

■ "The Unfinished Work" exhibit describes in words and pictures how Americans respond to the challenges of their society. It shows a living tradition of tackling community social and physical problems in a spirit of neighborly initiative and with an implicit faith that men of goodwill can master virtually any problem through their common efforts. Born in a young nation settling a vast continent, this spirit is now reflected in a growing sense of identification with the problems of the world community. The exhibit does not hide remaining unsolved problems. But it does project a free society's constant efforts toward their solution. It is based on Abraham Lincoln's words that "It is for us the living to be dedicated to the unfinished work..."

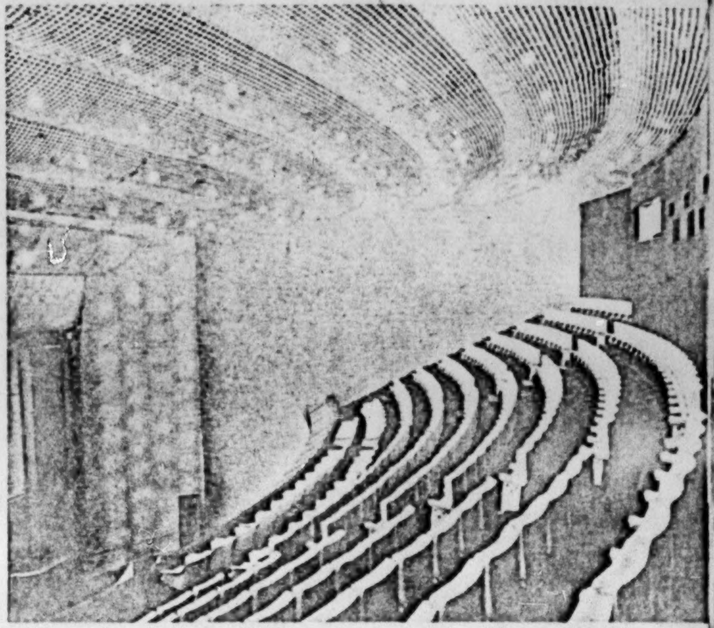
« LA TÂCHE INACHEVEE »

▲ Le décor de « la Tâche Inachevée » décrit en lettres et en images la réaction des Américains au défi de la société. Il témoigne de la volonté d'un peuple de traiter les problèmes sociaux de la communauté dans un esprit d'initiative entre voisins et de la conviction implicite, que les hommes de bonne volonté peuvent résoudre virtuellement n'importe quel problème grâce aux efforts de tous. Significatif d'une nation jeune, conquérante d'un vaste continent, cet esprit poursuit aujourd'hui sa lutte contre les problèmes non résolus et sa détermination est la marque d'une société libre. Ceci est basé sur la parole d'Abraham Lincoln « Il appartient à nous, les vivants, de nous vouer à la tâche inachevée... »

« DE ONVOLTOOIDE TAAK »

● De afdeling getiteld « De onvoltooide Taak » toont, door het woord en het beeld, op welke wijze de Amerikanen de problemen van hun gemeenschap aanpakken. Steunend op een oude maar steeds levende traditie, onderzoeken de Amerikanen de sociale en materiële problemen van de gemeenschap zoals buren met initiatief dat doen zouden. Zij zijn overtuigd dat mensen van goede wil virtueel alle vraagstukken kunnen oplossen door gezamenlijke inspanning. Deze geest werd geboren in een jong volk dat een wijds continent bevolkte : op onze dagen blijkt die geest uit een steeds groeiend besef dat de vraagstukken van een land ook die zijn van de wereldgemeenschap. De stand verdonkermaant de problemen niet die nog steeds onopgelost blijven, maar de nadruk wordt gelegd op de bestendige inspanning die gedaan wordt om een solutie voor die problemen te vinden. Dit is gesteund op de woorden van Abraham Lincoln « Wij, de levenden, moeten ons wijden aan de onvoltooide taak... »

THE AMERICAN AUDITORIUM AND THE PERFORMING ARTS



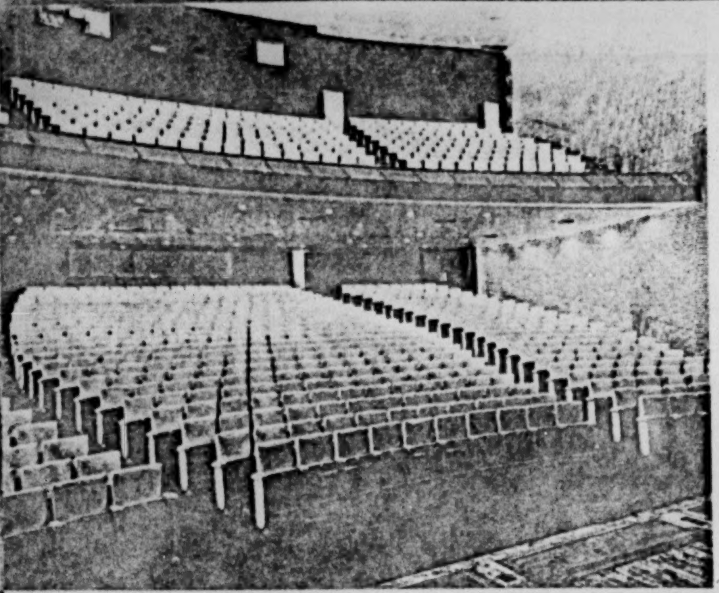
■ Visitors to the United States Pavilion may share in the enjoyment of seeing and hearing performances of widely-known American artists and productions. These performances have been scheduled throughout the Fair in the 1,150-seat Auditorium, integrated with the Pavilion. Along with the professional artists, the large number of community and academic groups appearing are representative of the widespread appeal the arts have in the United States, where there are over a thousand established symphony orchestras. The attractions in the Auditorium include the drama, the dance, musical comedy, orchestral presentations, popular and classical music, choral groups, and the presentation of outstanding examples of the American regional theater.

L'AUDITORIUM AMERICAIN ET LES SPECTACLES

▲ Les visiteurs du pavillon américain bénéficient de représentations d'artistes américains dans le cadre d'un répertoire de choix. Ces représentations auront lieu durant toute la durée de l'Exposition dans l'Auditorium de 1.150 places, qui fait partie du Pavillon. Côte à côte avec une série d'artistes professionnels bien connus, de nombreux groupements universitaires et autres démontreront l'attrait que possèdent les arts aux Etats-Unis, où il existe plus d'un millier d'orchestres symphoniques. Les activités qui auront lieu dans l'Auditorium touchent l'art dramatique, la danse, la comédie musicale, les œuvres pour orchestre, la musique populaire et classique, les chœurs et divers aspects saillants du théâtre américain régional.

HET AMERIKAANSE AUDITORIUM; TONEEL EN MUZIEK

● De bezoekers zullen bekende kunstenaars en producties van Amerika te zien en te horen krijgen. De vertoningen vinden plaats tijdens de Tentoonstelling in het Auditorium dat 1.150 zitplaatsen heeft en dat deel uitmaakt van het paviljoen. Naast beroepsartisten, zijn er in Amerika een groot aantal amateurs die behoren tot lokale en akademische groepen, hetgeen bewijst hoezeer de schone kunsten in Amerika gewaardeerd worden: er zijn b.v. meer dan duizend symphonie orkesten. In het Auditorium zullen toneelstukken worden opgevoerd, er zullen baletten te zien zijn, er zal orkestmuziek worden uitgevoerd, volksmuziek en klassieke muziek, er zullen koren optreden, en ook de meest vooraanstaande regionale teatergroepen van het land zullen een kans krijgen zich daar te vertonen.

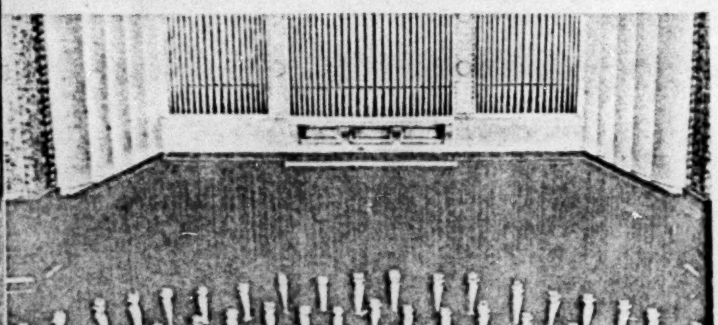


1,150 Good Seats ■
1.150 Bons fauteuils ▲
1.150 Goede zitplaatsen ●

■ ▲ ● Benny Goodman Jazz

Ormandy Conducts ■
Ormandy dirige ▲
Ormandy dirigeert ●

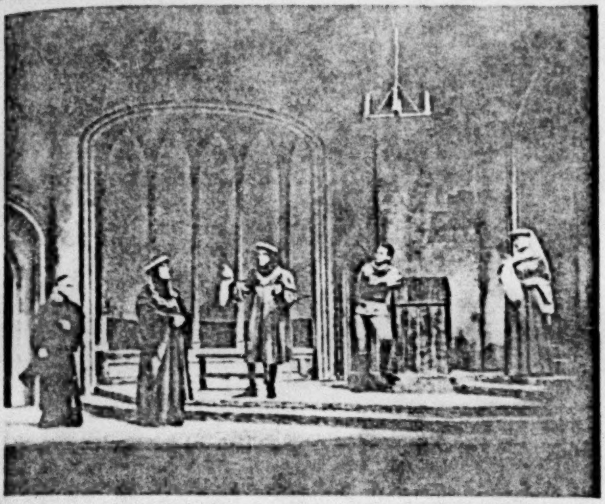
■ ▲ ● Nora Kaye-Erik Bruhn



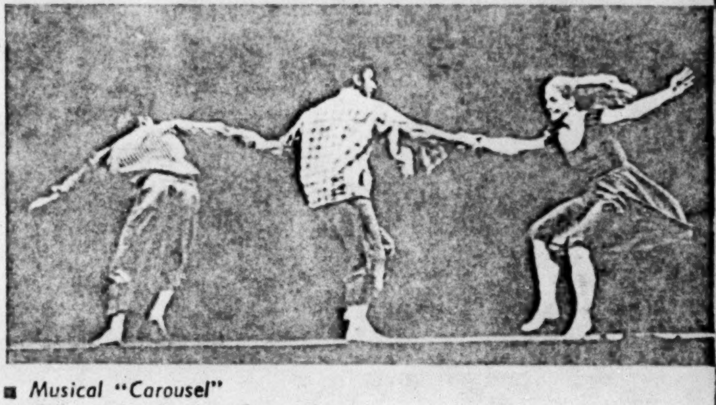
■ Illinois University Glee Club
▲ Glee Club de l'université d'Illinois
● Glee Club van Illinois University

Yehudi Menuhin, Violinist ■
Yehudi Menuhin, Violoniste ▲
Yehudi Menuhin, Violist ●

■ Motion Picture, "South Pacific"
▲ Film « South Pacific »
● Film « South Pacific »



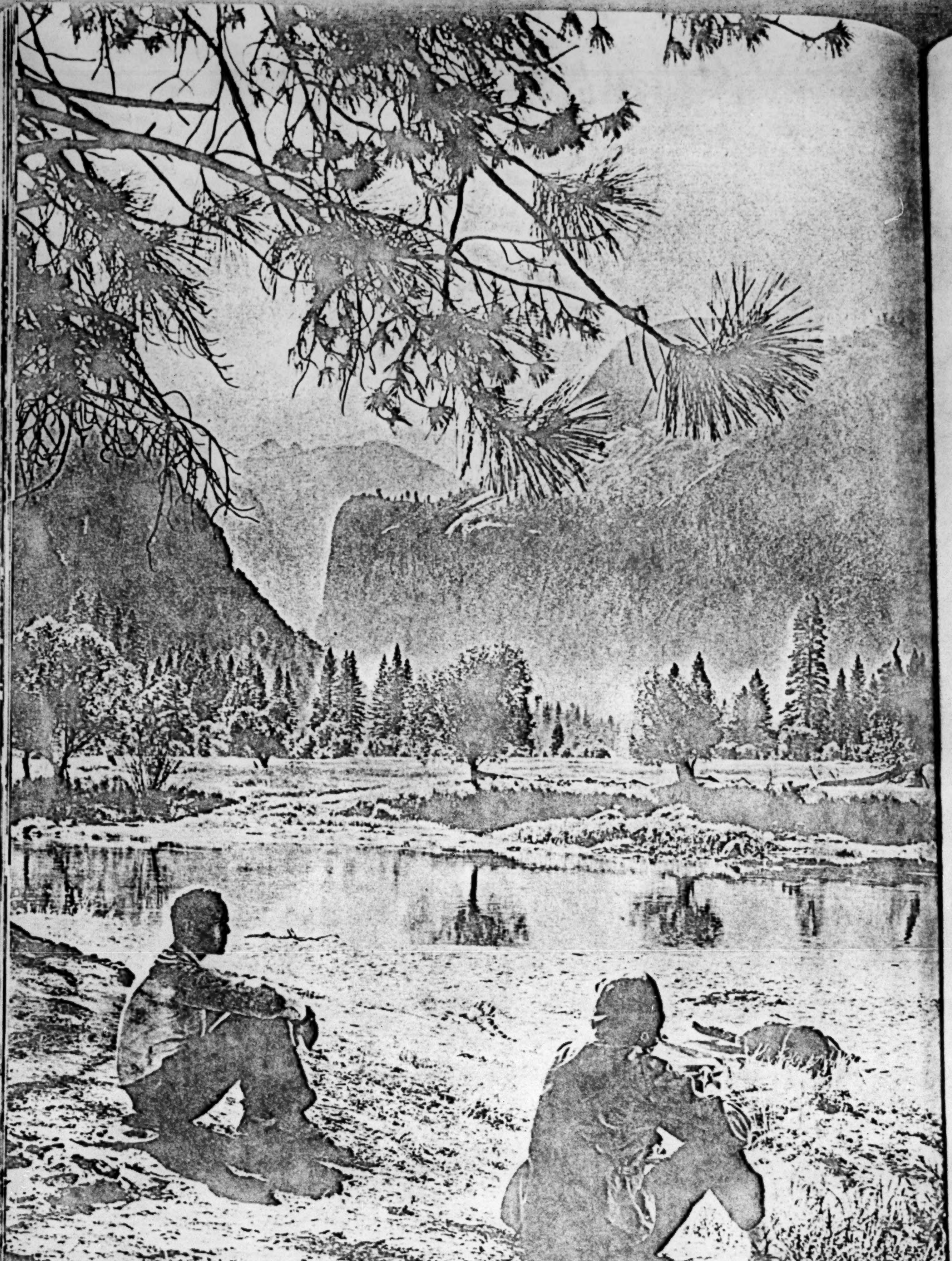
Yale University Drama ■
Le théâtre dramatique à l'université de Yale ▲
Het dramatisch toneel in Yale University ●



■ Musical "Carousel"
▲ Comédie musicale « Carousel »
● «Musical Carousel»

New York Woodwind Quintet ● ▲ ■

■ Belafonte, Folk Singer
▲ Belafonte, chanteur populaire
● Belafonte, Volkszanger



ABOUT THE UNITED STATES — THE LAND AND THE PEOPLE

■ Mountain ranges and deserts, fertile plains and plateaus — almost every imaginable landscape can be found in the 3,022,387 square miles (7,824,959 square kilometers) that constitute the United States of America. A railroad train, traveling a mile a minute, takes more than 48 hours to cross the country.

Leaving the eastern seaboard, it crosses the Appalachian Mountains, then drops down to the broad, central plains, passing through hundreds of miles of wheat and corn fields and skirting the outstretched fingers of the five Great Lakes, the largest bodies of inland water in the world.

Continuing westward a second day, the train winds through the Rocky Mountains with its 14,000-foot (over 4,250 meter) peaks, traverses the high tableland beyond, surmounts the snowcovered coastal ranges — the "Sierra Nevada" — and descends finally to the shores of the Pacific Ocean.

* * *

LES ETATS-UNIS — LE PAYS ET LE PEUPLE

▲ Des chaînes de montagnes et des déserts, des plaines fertiles et des plateaux, les paysages les plus divers se retrouvent dans les 7.824.959 km² qui constituent les Etats-Unis d'Amérique. Il faut plus de 48 heures à un train roulant à du 100 km. à l'heure pour traverser le pays d'est en ouest.

En quittant la côte Atlantique, le train traverse les monts Apalaches, puis descend dans les larges plaines centrales où, sur des centaines de kilomètres, s'étendent les champs de blé, passe à proximité des cinq Grands Lacs, dont l'étendue forme la plus large superficie d'eau intérieure du monde.

En poursuivant son chemin vers l'ouest le deuxième jour, le train aborde les Montagnes Rocheuses avec leurs pics de 4.250 mètres ou plus, traverse le haut plateau qui y succède, passe les chaînes enneigées parallèles à la côte Pacifique — la «Sierra Nevada» — et atteint finalement la côte de l'océan Pacifique.

* * *

DE VERENIGDE STATEN — LAND EN VOLK

● Bergketens en woestijnen, vruchtbare vlakten en hooglanden, bijna elk landschap dat men zich inbeelden kan, vindt men in de 7.824.959 vierkante kilometer waarover de Verenigde Staten van Amerika zich uitstrekken.

Om van de Oostkust naar de Westkust te rijden heeft een trein, die een mijl per minuut aflegt, meer dan 48 uur nodig. Hij verlaat de oostelijke zeekust en rijdt over de Appalachian bergketen, dan daalt hij af naar de brede centrale vlakten, langs koren- en maïsvelden honderde mijlen lang, tot op de rand van de uitgespreide vingeren van de vijf Grote Meren, de grootste binnenwateren van de wereld.

Op de twede dag, in westelijke richting gaande, windt de trein zich door de Rocky Mountains met hun bergkruinen die meer dan 4.250 meter hoog zijn, doorkruist daarna de hoogvlakten, klimt over de met sneeuw bedekte bergketen — de «Sierra Nevada» — en daalt eindelijk af tot aan de kust van de Stille Oceaan.

■ *Yosemite Valley, California*
▲ *Vallée du Yosemite, Californie*
● *De Yosemite Vallei, Californië*

Big-City Crowd, Chicago ■
Foule d'une grande ville - Chicago ▲
Mensenmenigte in Chicago ●

■ The move of Americans westward is as old as the country itself — and it is still continuing. California, a far-west state, now ranks second in population.

When America's first official census was taken in 1790, total population was less than 4 million concentrated along the Atlantic Coast. Today there are more than 172 million Americans. The average American family consists of the husband and wife, and one or two children.

Throughout its history the United States has benefited greatly from the contributions of immigrants who became Americans by choice; and immigration to America still continues. Between 1820 and 1956, for example, the United States of America received 40,734,000 immigrants; 34,041,000 came from Europe.

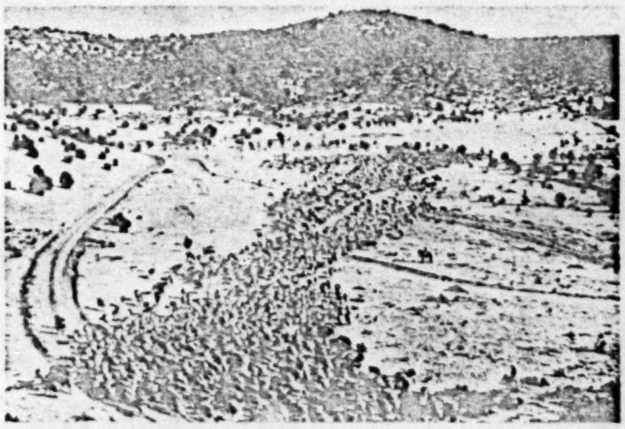
System of Government

Government in the United States is government by the people, functioning only with the consent of the governed. The people retain full political sovereignty.

The secret ballot cast in free elections is the foundation of this representative self-government. By its use, the voters may return their officials to office, or replace them with others. Elected officials, regardless of position, can be ousted through recall or impeachment proceedings at the people's will.

The Federal Congress and the President and Vice-President, the legislatures and governors of all the 48 individual states, and the county and city legislative bodies are all elected by popular vote.

Empire State Building, New York City ● ▲ ■



■ *Western Cattle Round-Up*
▲ *Rassemblement du bétail dans l'Ouest*
● *Bijeendrijven van het vee in het Westen*

▲ Le mouvement des Américains vers l'ouest est aussi ancien que la nation elle-même et il n'a pas cessé de se poursuivre. La Californie, Etat du Far West, est maintenant le deuxième des 48 Etats par le chiffre de sa population.

Quand le premier recensement américain a été organisé en 1790, la population totale représentait moins de 4.000.000 d'habitants répartis le long de la côte Atlantique. Aujourd'hui, il y a plus de 172.000.000 d'Américains. La famille américaine moyenne comprend le mari et la femme, avec un ou deux enfants.

A travers toute son histoire, l'Amérique a bénéficié grandement des contributions apportées par des immigrants qui devinrent Americains de leur plein gré; et l'immigration vers les Etats-Unis continue. Entre 1820 et 1956, les Etats-Unis d'Amérique ont accueilli 40.734.000 immigrants, dont 34.041.000 venus d'Europe.

Systeme de Gouvernement

Le gouvernement des Etats-Unis est un gouvernement par le peuple, qui ne fonctionne qu'avec le consentement des gouvernés. Le peuple conserve l'entière souveraineté politique.

Le bulletin secret dans le cadre d'élections libres constitue le fondement même de ce gouvernement représentatif. Ainsi les électeurs peuvent-ils réélire leurs représentants, ou élire d'autres candidats à leur place. Quelle que soit leur charge, les représentants élus peuvent être démis de leurs fonctions par une mise en accusation, et ce selon le bon vouloir du peuple.

● De drang naar het Westen van de Amerikaan is zo oud als het land zelf, en bestaat nog steeds. Californië bekleedt de tweede plaats onder de Staten wat het bevolkingscijfer betreft.

Bij de eerste officiële volkstelling in 1790, telde Amerika minder dan 4 miljoen inwoners, allen geconcentreerd langs de Atlantische kust. Er zijn nu meer dan 172 miljoen Amerikanen. Het gemiddeld Amerikaans huisgezin bestaat uit man en vrouw, en een of twee kinderen.

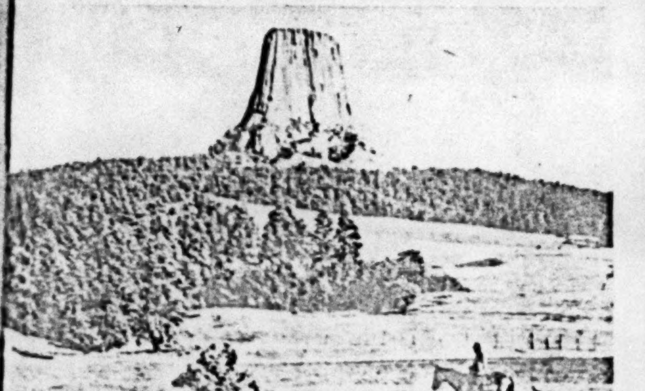
In de loop van zijn geschiedenis, heeft het land groot profijt getrokken uit hetgeen de immigranten, Amerikanen bij keuze, tot zijn ontwikkeling hebben bijgedragen. Nog steeds komen immigranten naar Amerika. Tussen 1820 en 1956 hebben de Verenigde Staten 40.734.000 immigranten ontvangen, waarvan er 34.041.000 uit Europa kwamen.

Regeringsvorm

De regering van de Verenigde Staten berust in de handen van het volk. Zonder de toestemming van het volk is zij niet mogelijk. Het volk blijft politiek volkomen souverein.

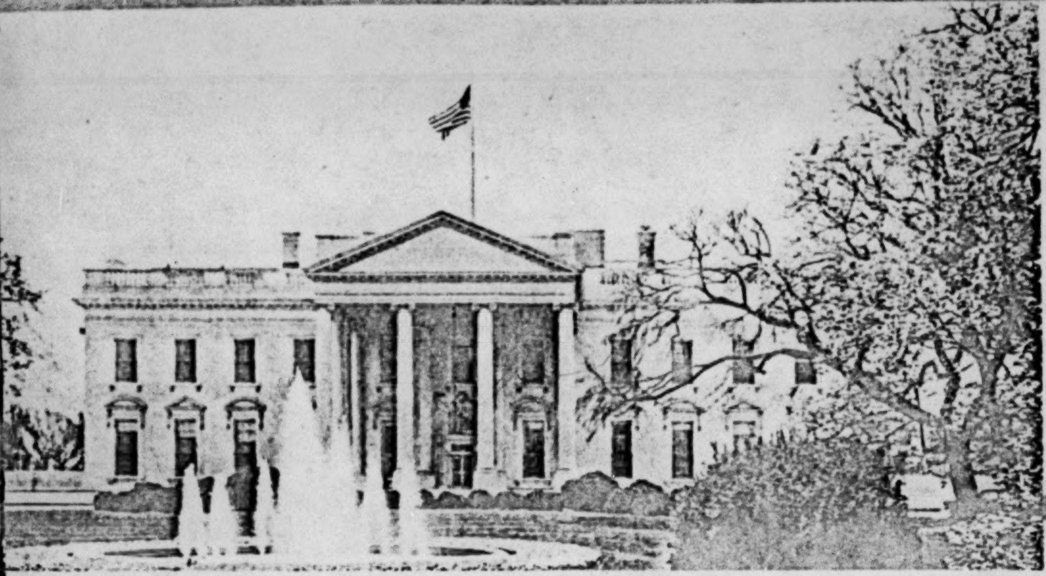
Dit systeem van representatief zelfbestuur berust op de geheime stemming in vrije verkiezingen. Gebruik makend van hun stemrecht, kunnen de kiezers hun verkozenen in hun functie bevestigen of ze uit hun ambt verwijderen en vervangen. De verkozenen kunnen te allen tijde uit hun ambt ontzet worden door een proceduur van incriminatie.

Het Federale Congress, de President en de Vice-President, de wetgevende kamers en de gouverneurs van de 48 in-



Volcanic Rock Formation ■
Rochers volcaniques ▲
Vulkanische rotsformatie ●

■ *Pacific Coast of California*
▲ *Le Pacifique, Californie*
● *De Pacific, Californië*



■ *White House, Washington,*
▲ *La Maison Blanche à Wash*
● *Het Witte Huis, Washingto*

■ Other government officials and the judges in all the courts are either elected directly by the voters or appointed by other elected authorities.

Inherent throughout American Democracy is the concept of "checks and balances" on government, a system so designed as to prevent any one branch of government, any individual or group of individuals from acquiring undue power or control.

The basic law of the United States — the Constitution — guarantees to all individual rights and freedom, and prescribes the structure and authority of the Federal Government and the powers of the President and the Congress.

The Constitution defines the separation of powers among the three branches of government: the Executive, directed by the President; the Legislative, (the Congress consisting of the 96-member Senate composed of two Senators from each of the 48 states, and the House of Representatives with 435 members); and the Judicial, the system of Federal courts throughout the country and the U.S. Supreme Court, the highest tribunal which has power to void legislation approved by the Congress and by the President if the Court members (appointed for lifetime terms) feel such legislation does not conform to the Constitution.

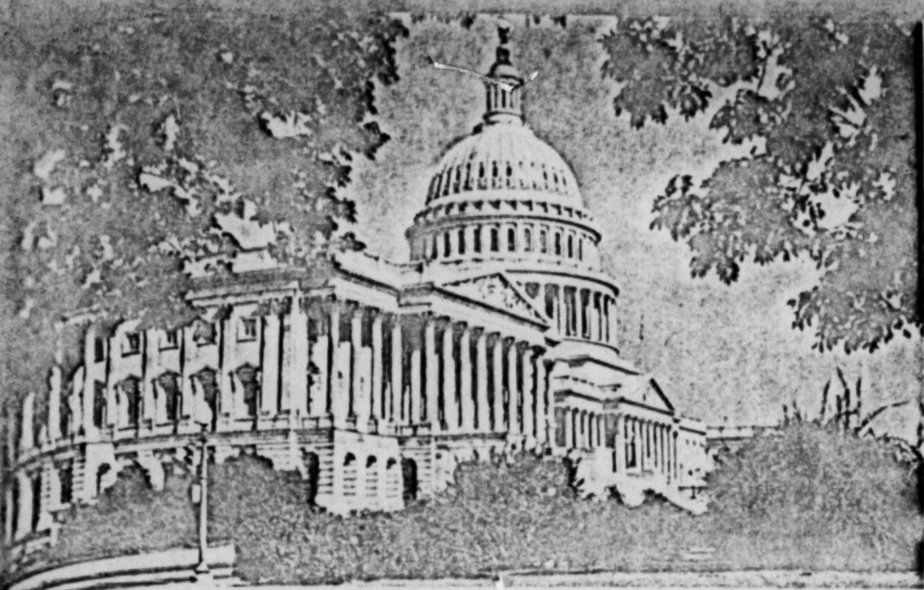
The individual states have similar constitutions patterned from the United States Constitution, with the separation and definition of powers among three branches of government. The smaller

▲ Le Congrès Fédéral, le Président et le Vice-Président, les assemblées législatives et les gouverneurs des 48 Etats, les conseils de ville et d'arrondissement sont tous élus par le suffrage populaire. Les autres autorités gouvernementales et les juges de toutes les cours sont, soit élus directement par les électeurs, soit nommés par les autorités élues.

Inhérent à la démocratie américaine, le concept de «contrôles et contre-poids» à l'égard du gouvernement est établi de telle sorte qu'il empêche toute branche du gouvernement, tout individu ou groupe d'individus d'acquérir un pouvoir ou un contrôle illégitime.

La loi fondamentale des Etats-Unis — la Constitution — garantit à tous, les droits individuels et la liberté, et détermine soigneusement la structure et l'autorité du Gouvernement Fédéral ainsi que les pouvoirs du Président et du Congrès.

La Constitution définit la répartition des pouvoirs aux trois branches du gouvernement; l'Exécutif, que dirige le Président; le Législatif (le Congrès se compose d'un Sénat de 96 membres, soit deux sénateurs pour chacun des 48 Etats, et d'une Chambre des Représentants de 435 membres); et le Pouvoir Juridique ou réseau de cours fédérales établies à travers le pays, et la Cour Suprême des Etats-Unis, le tribunal le plus élevé, qui a le pouvoir d'annuler toute législation approuvée par le Congrès et par le Président si les membres de la Cour (qui sont nommés à vie) estiment qu'une telle législation n'est pas conforme à la Constitution.



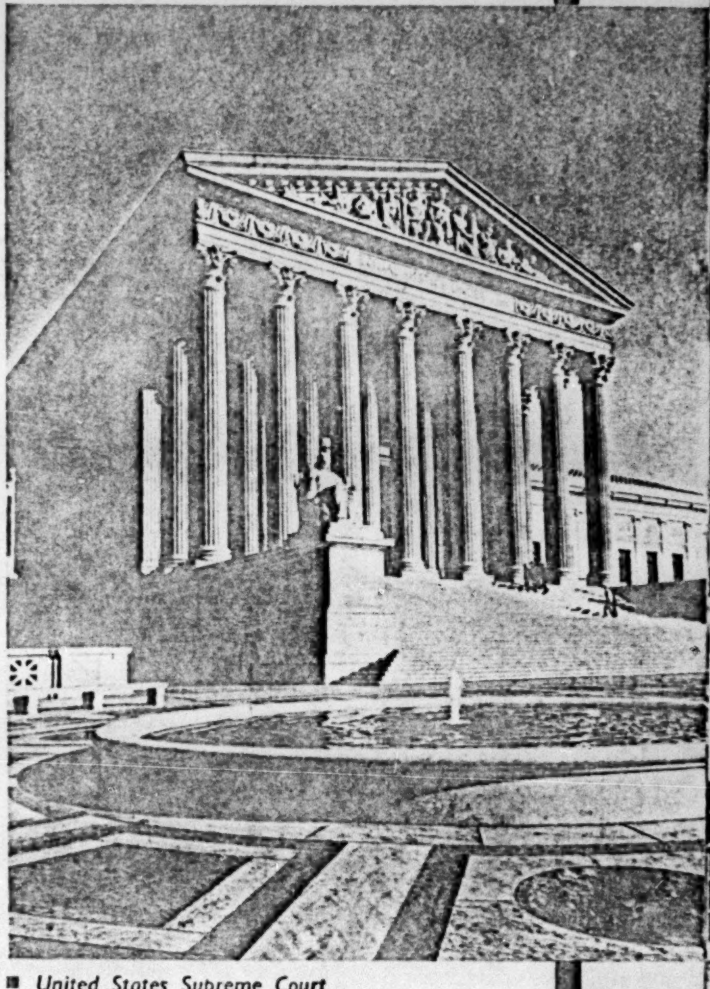
■ *The Capitol, Washington, D. C.*
▲ *Le Capitole à Washington*
● *Het Capitool, Washington*

● dividuele Staten, de wetgevende lichamen van de « counties » (administratieve onderverdelingen, ongeveer zoals een arrondissement) en van de steden, worden alle aangeduid door verkiezingen. Andere regeringspersonen en de rechters in al de rechtbanken worden ofwel rechtstreeks verkozen, ofwel aangesteld door verkozen gezaghebbers.

Een principe van de Amerikaanse democratie is het idee van «checks and balances», toezicht en evenwicht. Het heeft tot doel te beletten dat een deel van de regering, een individu of een groep, onrechtmatig macht of controle zou verkrijgen in de Staat.

De grondwet van de Verenigde Staten garandeert aan ieder persoon een aantal rechten en vrijheden. Zij omschrijft ook zorgvuldig de structuur en het gezag van de federale regering en de machten van de President en van het Congress.

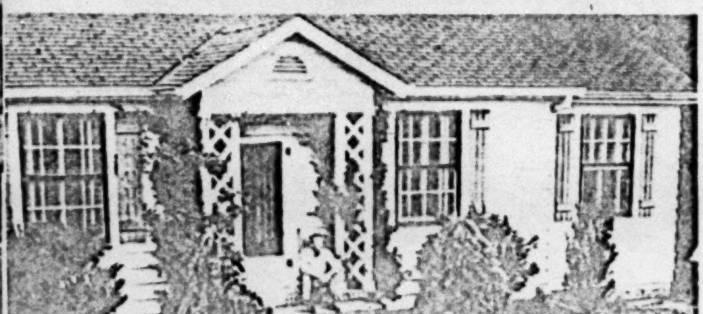
De grondwet definieert de scheiding der machten tussen de drie machten van de staat: de uitvoerende macht berust bij de President; de wetgevende macht bestaat uit het Congress dat samengesteld is uit een senaat van 96 leden (twee senatoren voor elk der 48 staten) en uit het Huis van Volksvertegenwoordigers dat 435 leden telt; de rechterlijke macht die uitgeoefend wordt door een systeem van federale rechtbanken over het hele land en door het Hoogste Gerecht der Verenigde Staten. Deze hoogste rechtinstantie heeft het recht wetten, die door het Congress en door de President goedgekeurd zijn, te verbreken, indien de leden, die voor het leven benoemd zijn,



■ *United States Supreme Court*
▲ *La Cour Suprême des Etats-Unis*
● *Het Hoogste Gerechtshof der Verenigde Staten*

■ *Supermarket*
▲ *Un «supermarket»*
● *«Supermarket»*

■ *Housing, USA*
▲ *Habitations américaines*
● *Behuizing in de Verenigde Staten*



■ political subdivisions such as counties, townships, cities and villages each has its own government, based on similar principles. There is no national police force. Locally-controlled police of cities and towns fulfill most law-enforcement responsibilities.

Government in the United States of America is decentralized as much as possible: local governments deal with local problems, state governments deal with those problems which concern the communities within their borders, and the Federal Government deals with problems of national scope.

Of supreme importance to the individual American are the individual rights and freedoms guaranteed to him as part of the Constitution. These were early written into the Constitution as the first ten amendments and are known as the "Bill of Rights". There are many such guaranteed individual rights and freedoms, including freedom of speech, freedom of the press, freedom of worship, the right of peaceful assembly, among others.

Living Standards

The United States is a nation of workers. In a population of 172 million, there were over 67,200,000 persons employed as of August, 1957. Relatively few persons live on income from investment. Growing productivity has made it possible for the American worker to buy twice as much food with an average hour's wage as he could 30 years ago.

By 1956, home ownership in small towns and rural areas amounted to 70.1% of all families. In the United States as a whole some 56.9% or about 27 million non-farm families owned their own homes. Most Americans live in houses or apartments which have electric lighting, hot and cold running water and central heating. Electrification has become near-complete throughout the nation — even on 95% of America's 4.7 million farms (of which 2.5 million also have telephones). About 73% of American families own at least one auto, and there are 65 million motor vehicles

■ *Housing, USA*
▲ *Habitations américaines*
● *Behuizing in de Verenigde Staten*

▲ Les Etats de l'Union ont des constitutions similaires à la Constitution Fédérale, avec la même séparation et répartition des pouvoirs aux trois branches du gouvernement. Les subdivisions politiques plus petites telles que les arrondissements, villes et villages, possèdent, elles aussi, leur propre gouvernement, sur la base de principes similaires. Il n'y a pas de force de police nationale. La police des villes sous contrôle local remplit la plupart des fonctions relatives au maintien de l'ordre.

Le gouvernement des Etats-Unis d'Amérique est décentralisé au maximum : les autorités locales traitent des affaires locales, les gouvernements d'Etats s'occupent des problèmes affectant les communautés situées à l'intérieur de leurs limites, et le Gouvernement Fédéral, des questions d'intérêt national.

Les droits individuels et les libertés garanties par la Constitution sont considérés comme d'importance suprême, par le citoyen américain. Incorporés dans la Constitution sous le titre des « Dix Amendements », ces articles sont souvent nommés le « Bill of Rights ». Parmi ces droits et libertés individuels, garantis par la Constitution, figurent la liberté de parole, la liberté de la presse, la liberté de religion, et le droit de libre réunion.

Niveau de Vie

Les Etats-Unis constituent un pays de travailleurs. Sur une population de 172.000.000, il y avait en août 1957 67.200.000 personnes occupant un emploi. Peu de personnes ont des revenus provenant d'investissements. Une productivité croissante a permis à l'ouvrier américain d'acheter deux fois plus de nourriture avec son salaire horaire moyen qu'il y a 30 ans.

En 1956, 70,1% des familles américaines des petites villes et des campagnes, possédaient leur maison ou appartement. Aux Etats-Unis 56,9%, ou environ 27 millions de familles, vivant dans les centres urbains, sont propriétaires de leur maison. La plupart des maisons et appartements sont pourvus d'électricité,

● van oordeel zijn dat die wetten niet overeenstemmen met de grondwet.

De individuele staten hebben elk een grondwet die opgevat is in de geest van de federale grondwet, en waarin het principe van de scheiding der machten wordt gehuldigd. De kleinere politieke onderverdelingen van het land, zoals « counties » (arrondissementen), gemeenten, steden en dorpen hebben elk hun bestuur dat op dezelfde principes berust. Er bestaat geen nationale politie (gendarmerie). De locale politiemacht van de steden en gemeenten draagt de verantwoordelijkheid voor het handhaven van de wet.

Zoveel mogelijk wordt de regering van de Verenigde Staten gedecentraliseerd. Locale regeringen houden zich bezig met locale problemen, staatsregeringen beheren de problemen van de gemeenschap binnen hun grenzen, en de federale regering behandelt de problemen van nationale aard.

Van het allergrootste belang voor elk Amerikaans burger zijn de individuele rechten en vrijheden welke de grondwet hem toekent. Deze werden opgesteld in het begin van het bestaan van de staat en staan bekend als de « Bill of Rights », de Wet der Rechten. Tal van individuele rechten zijn aldus gegarandeerd, waaronder de vrijheid van het woord, de vrijheid van de pers, de vrijheid van de eredienst, het recht van vreedzaam te vergaderen, en andere.

Levensstandaard

Het Amerikaanse volk is een volk van werkers. Op een bevolking van 172 miljoen waren er, in augustus 1957, 67.200.000 personen aan de arbeid. Een betrekkelijk klein aantal personen leven van hun beleggingen. Sedert 30 jaren is de productiviteit zo aangegroeid dat de Amerikaanse arbeider thans tweemaal meer voedsel kan kopen met zijn gemiddeld loon per uur dan voorheen.

In 1956, waren 70,1% van alle gezinnen, in de kleine steden en op het land, eigenaar van het huis dat ze bewoonden. Over het hele land waren er 27 miljoen gezinnen, — dat is 56,9% van de bevol-

■ registered; 86% of all families have some type of life insurance.

Constantly improving living standards and the advances of medicine have increased the average life expectancy in the United States from 47 years to nearly 69.5 years since 1900. Maintenance of health is the joint responsibility of individuals, local communities, state governments, and the Federal Government.

There are nearly 7,000 hospitals in the United States, of which the Federal Government maintains 435. State and local governments operate 1,816 hospitals; church and other non-profit associations 3,510; and 1,208 hospitals are privately owned. Most hospitals provide large amounts of free and low-cost care. Many industrial concerns provide medical services and health insurance plans for office and factory workers.

All states have laws providing payments to workers or their families for injury or death connected with their work. Among the major programs of social security in effect are a national old-age and survivors insurance; four Federal-State public assistance programs (old-age assistance, aid to the blind, aid to dependent children, and aid to the permanently and totally disabled); the Federal-State programs of maternal and child health services; and the Federal-State unemployment insurance program.

Good Health Habits ■
Habitudes d'hygiène ▲
Hygienische gewoonten ●

▲ d'eau froide et d'eau chaude et de chauffage central. L'électrification est à peu près achevée dans tout le pays — y compris 95% des 4,7 millions de fermes américaines, parmi lesquelles 2,5 millions ont le téléphone. Environ 73% des familles américaines possèdent au moins une automobile, et il existe 65 millions de véhicules enregistrés. 86% de toutes les familles ont l'une ou l'autre assurance sur la vie.

L'amélioration constante du niveau de vie et les conquêtes de la médecine ont augmenté la durée moyenne de la vie aux Etats-Unis de 47 à 69 ans depuis 1900. La santé publique est placée sous la responsabilité des individus, des communautés locales, des gouvernements d'Etats et du Gouvernement Fédéral.

Il y a près de 7.000 hôpitaux aux Etats-Unis, dont 435 sous l'administration du Gouvernement Fédéral. Les autorités locales et les gouvernements d'Etats administrent 1.816 hôpitaux; les églises et les autres associations sans but lucratif, 3.510; 1.208 hôpitaux ont un statut privé. La plupart des hôpitaux assurent des services gratuits ou à peu de frais. De nombreuses firmes industrielles offrent à leurs employés et ouvriers des services médicaux gratuits et des programmes d'assurance-maladie.

Tous les Etats ont des lois assurant des versements aux travailleurs ou à leurs familles pour tout accident survenu au cours de leur travail. Parmi les plus importantes activités de la sécurité sociale aux Etats-Unis, figurent une assurance-vieillesse et une assurance-vie; quatre programmes d'assistance publique sous la responsabilité mixte du Gouvernement Fédéral et des Etats (assistance-vieillesse, aide aux aveugles, aux enfants mineurs et aux handicapés physiques permanents à 100%); des programmes mixtes Fédéral-Etats pour la santé de la mère et de l'enfant; et un programme mixte Fédéral-Etats d'assurance contre le chômage.

■ *Dinnertime*
▲ *Le diner est prêt !*
● *Aan tafel*

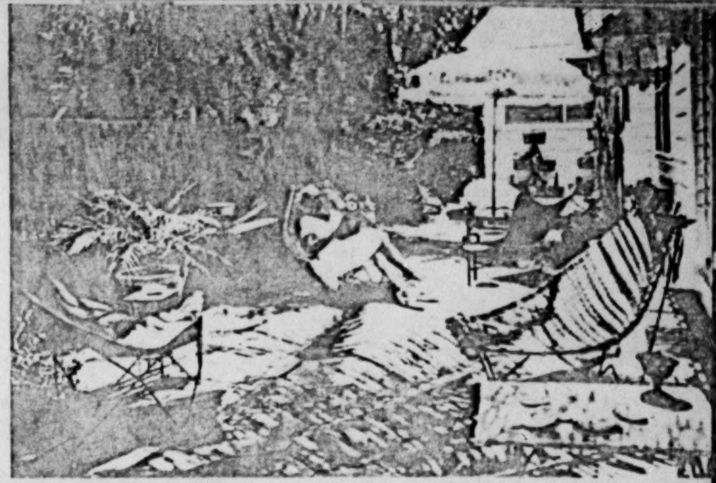
● king die niet tot de landbouwstreken behoort —, die hun eigen woning bezaten. De meeste Amerikanen wonen in huizen of in appartementen die electrisch licht hebben, warm en koud stromend water en centrale verwarming.

Electriciteit is haast overal beschikbaar op het platte land, zelfs op 95% van de 4,7 miljoen farms. 2,5 miljoen van die farms hebben telefoon. Ongeveer 73% van de Amerikaanse families hebben een auto, en er zijn 65 miljoen auto's geregistreerd. 86% van alle gezinnen hebben een vorm van levensverzekering.

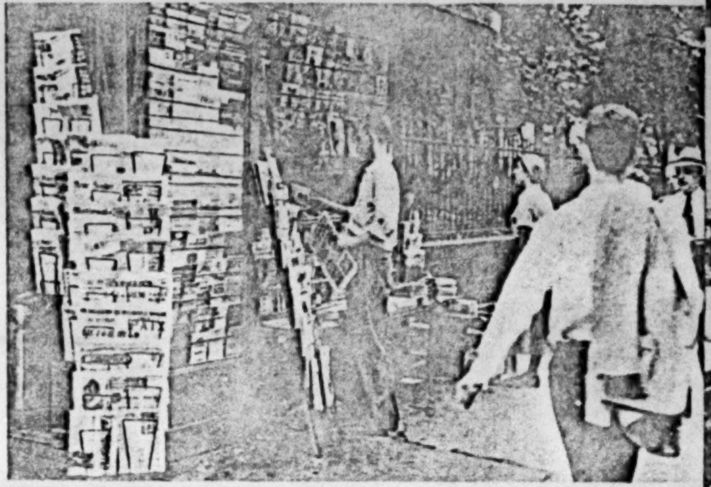
Aangezien de levensstandaard gedurig verbetert en de medische wetenschap vordert, werd de gemiddelde levensspanne in de Verenigde Staten van 47 jaar tot 69,5 jaar verlengd sedert 1900. De gezondheidszorg berust bij het individu, bij de locale gezaghebbers, bij de regeringen der 48 staten en bij de Federale Regering.

Er zijn ongeveer 7.000 hospitalen in de Verenigde Staten. 435 worden door de Federale Regering in stand gehouden. De staten en de locale autoriteiten beheren 1.816 ziekenhuizen. Kerkelijke gemeenschappen en andere verenigingen zonder winstbejag besturen 3.510 hospitalen en 1.208 zijn private instellingen. De meeste ziekenhuizen geven in ruime mate ofwel gratis ofwel goedkope behandeling. Veel industriële instellingen verschaffen medische diensten en zorgen ook voor verzekering tegen ziekte voor kantoorbedienden en fabriekarbeiders.

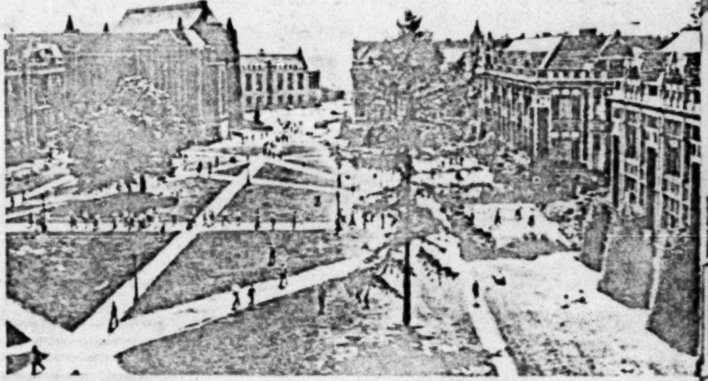
Alle staten hebben wetten die uitkeringen garanderen aan de arbeiders of hun gezin, in geval van kwetsuren of overlijden door het werk veroorzaakt. De sociale wetgeving thans van toepassing omvat onder meer: het nationale ouderdomspensioen en voorzieningen voor overlevenden; vier programma's uitgewerkt door de federatie en de staten (ouderdomssteun, hulp voor blinden, hulp voor kinderen, hulp bij permanente en volledige werkonbekwaamheid); de federale en staatsprogramma's voor bevallingen en kindergezondheidsdiensten; en het verzekeringsplan van de federatie en de staten voor de werkeloosheid.



■ *Outdoor Living Area*
▲ *Vie en plein air*
● *Waar men buiten leeft*



■ *Newsstand For Many Languages*
▲ *Kiosque de journaux en toutes langues*
● *Kiosk met kranten in alle talen*



■ *University Campus*
▲ *Quartier universitaire*
● *De campus van een hogeschool*

Free Buses to School ■
Autobus gratuit pour écoliers ▲
Vrij bustransport naar school ●

Education

■ Free public education is an American tradition. Approximately 111,000 free public elementary schools and 26,000 free secondary or high schools are maintained by the 48 states, usually under the administration of locally-elected school boards. In addition, there are 12,000 private elementary schools and 3,900 private high schools. For the 1957-58 school year about 30.7 million students were enrolled in elementary schools and nearly 8.5 million in high schools. More than 1,342,000 teachers were employed.

Education is compulsory for both boys and girls, in most states up to the age of 16. The usual course in elementary school is six years, with an additional six in junior and senior high schools.

About one-half of all high school graduates enter the country's 1,876 institutions of higher learning (859 liberal arts colleges and universities, 311 professional and technological colleges, 193 teachers' colleges, and 513 two-year junior colleges). Approximately 57% of America's 3,450,000 college students receive their tuition free or at very low cost at colleges and universities supported by states and cities. Girls have the same opportunities for higher education as boys.

Each year some 310,000 students of all races and religions receive the Bachelor's degree, awarded after four years of college studies. About 111,000 Bachelor degrees go to women. A growing number of students continue university study beyond the Bachelor's degree.

The next higher degree, the Master's degree, is usually awarded after two or more additional years of study in a particular field. Of the 60,000 Master's degrees conferred yearly, 20,000 go to women.

Young people are not the only ones to attend school. Approximately 50 million adults from all walks of life are enrolled in a wide range of adult education courses.

Education

▲ L'éducation gratuite et publique est conforme à la tradition américaine. Il y a environ 111.000 écoles élémentaires publiques gratuites et 26.000 écoles secondaires financées par les 48 Etats, généralement sous l'administration de conseils d'écoles élus localement. De plus, il y a 12.000 écoles élémentaires privées et 3.900 écoles secondaires privées. Pour l'année scolaire 1957-58, environ 30,7 millions d'élèves ont été inscrits dans les écoles élémentaires et près de 8,5 millions dans les écoles secondaires. On compte plus de 1.342.000 instituteurs et professeurs.

L'éducation est obligatoire pour garçons et filles, jusqu'à l'âge de 16 ans dans la plupart des Etats. Le terme habituel d'une école élémentaire est de six ans, avec six années supplémentaires pour l'enseignement secondaire.

Environ la moitié de tous les diplômés d'écoles secondaires passent dans les 1.876 institutions d'enseignement supérieur (859 collèges et universités, 311 instituts professionnels et technologiques, 193 écoles normales et 513 collèges de deux ans pré-universitaires). Environ 57% des 3.450.000 étudiants américains sont enregistrés gratuitement ou à très bas prix dans des collèges et universités financés par les Etats et les villes. Les jeunes filles ont les mêmes possibilités que les garçons de suivre un enseignement supérieur.

Chaque année, 310.000 étudiants de toutes les races et religions reçoivent un diplôme de fin d'études, obtenu après quatre années de cours au collège. Environ 111.000 diplômes sont octroyés à des femmes. Un nombre toujours croissant d'étudiants continue les études universitaires au-delà de ce diplôme. La licence ou « Master's degree » s'obtient après 2 années d'études ou plus, dans un domaine déterminé. Des 60.000 licences conférées annuellement, 20.000 sont remises à des femmes.

Les jeunes gens ne sont pas les seuls à étudier. Environ 50 millions d'adultes de tous les milieux suivent des cours éducatifs sur les matières les plus diverses.

Onderwijs

● Gratis openbaar onderwijs is een Amerikaanse traditie. Er zijn ongeveer 111.000 kosteloze lagere openbare scholen en 26.000 kosteloze middelbare scholen die door de 48 Staten in stand gehouden worden, en die beheerd worden door een schoolbestuur dat in elke gemeente verkozen wordt. Er zijn daarbij nog 12.000 vrije lagere en 3.900 vrije middelbare scholen. Voor het schooljaar 1957-58 waren er ongeveer 30.700.000 leerlingen in de lagere scholen ingeschreven en dicht bij de 8.500.000 in de middelbare scholen. Meer dan 1.342.000 onderwijzers en onderwijzeressen zijn thans werkzaam.

De leerplicht bestaat voor jongens en meisjes, in de meeste Staten tot de leeftijd van 16 jaar. Het programma van de lagere school omvat gewoonlijk zes jaar. De middelbare school, (junior en senior klassen), omvat ook zes schooljaren.

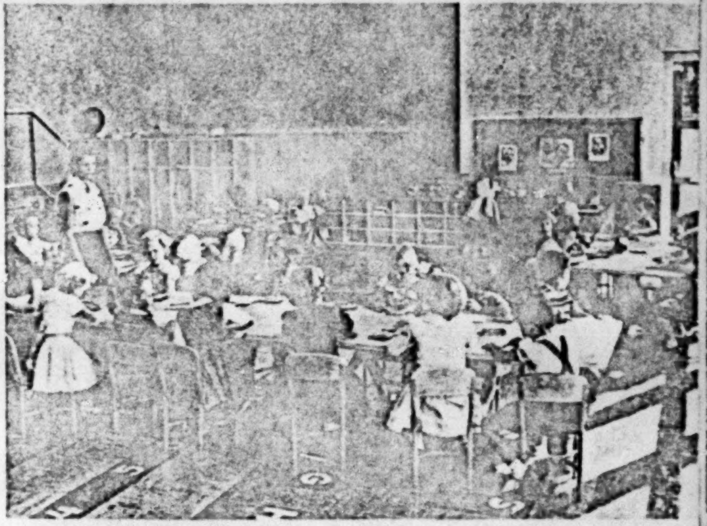
Ongeveer de helft van alle leerlingen die uit de middelbare scholen komen, gaan naar de 1.876 instellingen van hoger onderwijs. Dat zijn 859 kunstscholen en universiteiten, 311 technische en beroepsscholen, 193 normaalscholen en 513 junior colleges. Van de 3.450.000 Amerikaanse studenten zijn er ongeveer 57% die gratis, of tegen zeer lage prijs, studeren in colleges en universiteiten die door de staten en de steden worden gesteund. Meisjes hebben de zelfde gelegenheid als jongens om hogere studies te doen.

Elk jaar ontvangen 310.000 studenten van alle rassen en belijdenissen hun baccalaureaat's diploma, dat uitgereikt wordt na vier jaar studie in een college. Ongeveer 111.000 diploma's worden aan meisjes uitgereikt. Het aantal studenten die hun studies voortzetten, na het baccalaureaat, groeit steeds aan.

De volgende graad, Master's degree, wordt gewoonlijk gegeven na nog twee jaar gespecialiseerde studie. Jaarlijks worden er 60.000 «Master's degrees» toegekend, waaronder 20.000 aan vrouwen.

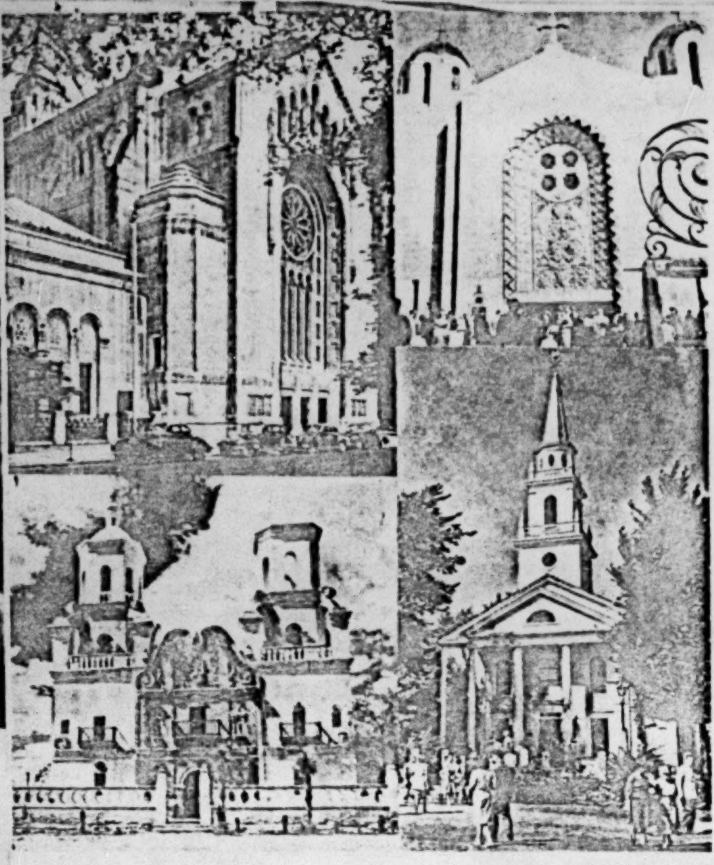
Niet alleen jonge mensen lopen school. Ongeveer 50 miljoen volwassen personen van alle standen volgen cursussen.

■ *High School Journalism Class*
▲ *Un cours de journalisme à l'école secondaire*
● *Een cursus voor journalisten in de middelbare school*



■ *Elementary School*
▲ *Ecole primaire*
● *Lagere school*

Harvard University ■
L'université de Harvard ▲
De universiteit van Harvard ●



Churches of America ■
Eglises d'Amérique ▲
Kerken in Amerika ●

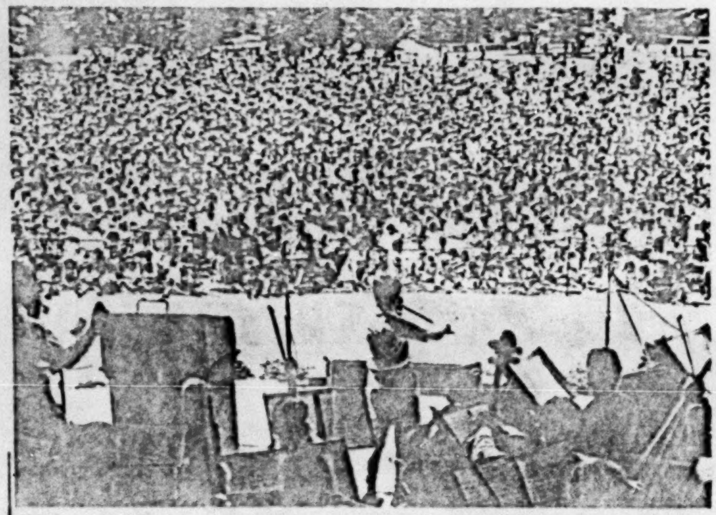
Religion

■ The Constitution protects the freedom of each American to choose his own church and to worship according to his own conscience. The First Amendment to the Constitution states: "Congress shall make no law respecting the establishment of religion, or prohibiting the free exercise thereof..."

The separation of church and state is a basic American principle. Government gives no funds to churches, making support of religious institutions a purely voluntary matter. More than 62 out of every 100 Americans of all ages are members of a church or synagogue.

The principal religious groups are Protestant, Roman Catholic and Jewish. Protestant membership in 1956 totaled 60,000,000; Roman Catholic, 34,500,000; and Jewish 5,500,000.

The Bible continues to be the best-selling book in the United States. Over 4,000,000 copies of the Revised Standard Version of the Bible have been sold since its publication in 1952.



Outdoor Symphony ■
Symphonie de plein air ▲
Symfonie in de open lucht ●

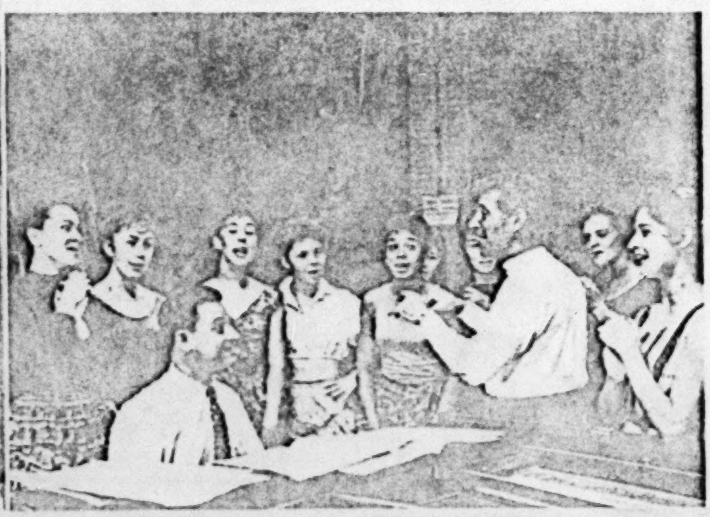
Music, Books, Art and the Theater

With an average work week of 40 hours and the mechanization of farm and industry, Americans have increasing time for a wide range of cultural and educational activities of their own choice. Cultural activities are widespread and participated in by millions. Some highlights:

- Americans spend twice as much for concert tickets and for recordings of good music as they spend to attend all spectator sports.

- Each year, over 100 million people visit the 23,000 art museums and historical sites of America — many of them in smaller communities. Traveling exhibits from larger museums reach communities without museums of their own.

- More than 10,000 free public libraries with millions of volumes are available to the American reading public. In addition, there are more than 4,200



■ *Rehearsing a Broadway Musical*
▲ *Répétition d'une comédie musicale à Broadway*
● *Repetitie van een «musical» op Broadway*

Religion

▲ La Constitution garantit à tout Américain le choix de son Eglise et la liberté de conscience. Le premier amendement à la Constitution déclare: « Le Congrès n'adoptera aucune loi relative à la religion, et n'empêchera en aucune manière le libre exercice du culte... ».

La séparation de l'Eglise et de l'Etat est un principe américain fondamental. Le gouvernement n'accorde aucune subvention aux Eglises, de telle sorte que le financement des institutions religieuses est une affaire purement volontaire. Plus de 62% des Américains de tous les âges sont membres d'une église ou d'une synagogue.

Les groupes religieux principaux sont les Protestants, les Catholiques et les Juifs. En 1956, les Protestants totalisaient 60.000.000 de membres, les Catholiques 34.500.000 et les Juifs 5.500.000.

La Bible continue à être le livre le plus vendu aux Etats-Unis. Plus de 4.000.000 d'exemplaires de la version revisée de la Bible ont trouvé acheteurs depuis 1952.

Musique, Livres, Arts et Théâtre

Grâce à une semaine moyenne de travail de 40 heures et à la mécanisation de l'agriculture et de l'industrie, les Américains ont davantage de temps à consacrer aux nombreuses activités culturelles et éducatives de leur choix. Les activités culturelles sont très variées et des millions de personnes y participent. Quelques exemples:

- Les Américains dépensent deux fois plus pour assister à des concerts ou acheter des disques classiques qu'ils ne consacrent à assister en spectateurs à des compétitions sportives.

- Chaque année, plus de 100 millions de personnes visitent 23.000 musées d'art et sites historiques de l'Amérique, la plupart d'entre eux dans de petites villes. Les expositions ambulantes des grands musées se rendent dans les endroits reculés qui ne possèdent pas de musée.

- Plus de 10.000 bibliothèques publiques gratuites avec des millions de volumes sont à la disposition du public

Godsdienst

● De Grondwet garandeert de vrijheid van elke Amerikaan zijn eigen kerk te kiezen en zijn godsdienst te belijden naar het gebod van zijn eigen geweten. Het eerste Amendement van de Grondwet luidt als volgt: « Het Congress » (het parlement, de beide kamers dus) « zal geen wet uitvaardigen betreffende het stichten van een eredienst en zal ook de vrije uitoefening van die eredienst niet verbieden. . . ».

De scheiding van kerk en staat is een essentieel Amerikaans beginsel. De Regering geeft geen subsidies aan kerken: steun voor de kerkgemeenschappen komt uitsluitend uit vrijwillige bijdragen. Meer dan 62% van alle Amerikanen zijn lid van een kerk of van een synagoog.

De belangrijkste kerkelijke genootschappen zijn de Protestanten, de Rooms-Katholieken en de Joden. In 1956 waren er 60.000.000 leden van de Protestantse kerken, 34.500.000 Katholieken en 5.500.000 Joden.

De Bijbel is nog steeds het boek dat het meest verkocht wordt in de Verenigde Staten. Sedert de publicatie in 1952, werden 4 miljoen exemplaren verkocht van de « Revised Standard Version » van de Bijbel.

Muziek, Literatuur, Kunst en Toneel

De veertigurenweek, die vrij algemeen is, en de mechanisering van het werk op het land en in de nijverheid geven de Amerikanen meer en meer tijd om zich te wijden aan allerlei culturele en opvoedkundige activiteiten. Culturele activiteiten zijn talrijk, en miljoenen nemen er deel aan:

- De Amerikanen geven tweemaal meer uit voor concerten en gramofoonplaten van goede muziek dan voor alle sportmanifestaties.

- Elk jaar bezoeken honderd miljoen personen de 23.000 kunstmusea en historische plaatsen van Amerika, waarvan er vele in kleine gemeenten gelegen zijn. De gemeenten die geen eigen museum bezitten, ontvangen het bezoek van reizende tentoonstellingen ingericht door de grote musea.

■ university, college, government and specialized libraries. Traveling libraries, or "Bookmobiles", also bring books to readers. About 15,000 new books and new editions are published annually.

- There are 1,000 symphony orchestras in the country, 34 of which are major professional groups employing 80 to 100 musicians each.

- For the past 17 seasons, 7 million Americans have been listening each Saturday to radio broadcasts from the stage of the Metropolitan Opera in New York.

- In New York City, the nation's theatrical center, 32 major theaters each season present an average of 80 new productions to some 10,075,000 theatergoers. After having played in New York, most shows go "on the road" to other theaters around the country. (There are an additional 50,000 amateur theaters, attracting an estimated 125,000,000 customers yearly.) There also are about 18,000 cinema houses in America.

A recent development has been the very rapid growth of the "Summer Theaters", nearly 400 of these in suburban and vacation areas throughout the country. These theaters permit large new audiences to see famous performers. At the same time, they give young actors an opportunity to act, guided by experienced players and directors.

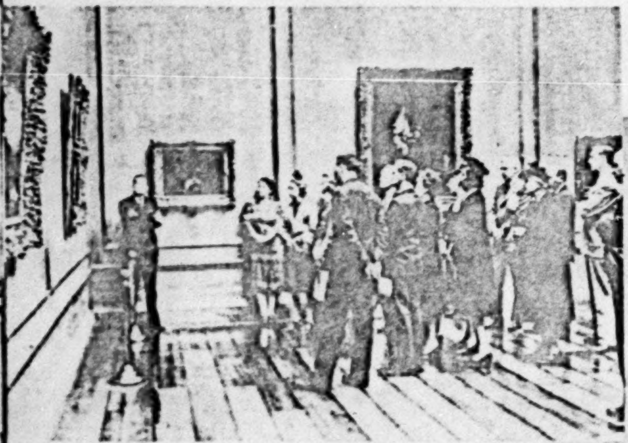
▲ américain. En outre, il y a plus de 4.200 bibliothèques spécialisées dans les universités et collèges. Des bibliothèques ambulantes ou « bookmobiles » contribuent aussi à la lecture généralisée. Environ 15.000 nouveaux livres et nouvelles éditions sont publiés chaque année.

- Il y a un millier d'orchestres symphoniques dans le pays, dont 34 sont des groupements professionnels importants qui emploient de 80 à 100 musiciens.

- Durant les 17 dernières saisons, 7 millions d'Américains ont écouté, chaque samedi, des programmes radiodiffusés émanant de la scène de l'Opéra Métropolitain de New-York.

- A New-York, centre théâtral du pays, 32 théâtres principaux présentent chaque saison une moyenne de 80 nouvelles productions à quelque 10.075.000 spectateurs. Après avoir été jouées à New-York, la plupart des pièces sont représentées dans divers théâtres d'amateurs qui attirent chaque année quelque 125 millions de spectateurs. Il y a aussi 18.000 cinémas aux Etats-Unis.

L'on a assisté récemment au développement rapide des «théâtres d'été»; la plupart d'entre eux, près de 400, sont installés dans des faubourgs ou endroits de villégiature disséminés dans le pays. Ces théâtres permettent à de larges groupes de nouveaux spectateurs de voir des acteurs célèbres. En même temps, ils donnent à de jeunes artistes une occasion de se produire en scène, sous la direction d'acteurs et de directeurs expérimentés.



■ ▲ ● *National Gallery of Art, Washington*

- • Meer dan 10.000 openbare bibliotheken met miljoenen boeken staan ten dienste van het Amerikaanse publiek. Daarbij zijn er nog 4.200 universitaire, school-, regerings- en gespecialiseerde bibliotheken. «Bookmobiles» zijn reizende bibliotheken die boeken naar de lezers brengen. Ongeveer 15.000 nieuwe boeken en uitgaven verschijnen elk jaar.

- Er zijn 1.000 symphonie orkesten in het land: 34 daarvan zijn belangrijke professionele groepen die elk van 80 tot 100 leden tellen.

- In de laatste 17 jaren hebben 7 miljoen Amerikanen elke Zaterdag geluisterd naar de radio-uitzendingen van de Metropolitan Opera van New York.

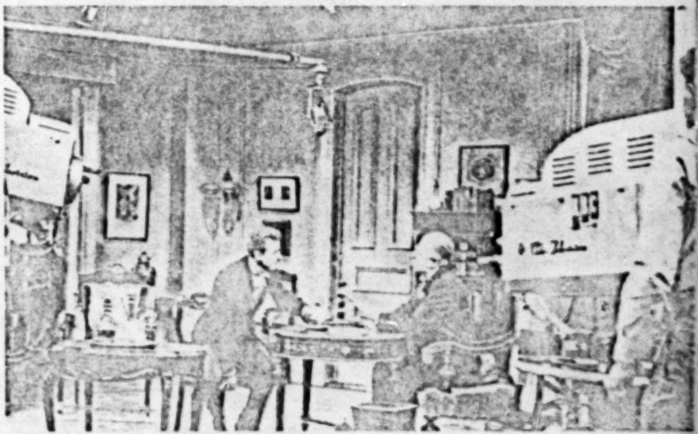
- In New York, het toneelcentrum van de natie, voeren 32 grote schouwburgen elk seizoen gemiddeld 80 nieuwe stukken op voor 10.075.000 toeschouwers. Wanneer een stuk in New York afloopt, gaat men er « de boer mee op » naar andere schouwburgen in het land. Er zijn ook 50.000 amateur toneelgroepen die, ruw geschat, 125.000.000 toeschouwers hebben. Er zijn ook 18.000 bioscopen in Amerika.

In de laatste jaren, is het aantal van de zomer teaters zeer toegenomen. Er zijn er ongeveer 400 in de buurt van de grote steden en op het land. Deze teaters geven een talrijk publiek de kans beroemde acteurs aan het werk te zien. Terzelvertijd geven ze jonge acteurs de kans op te treden onder de leiding van ervaren spelers en directeurs.

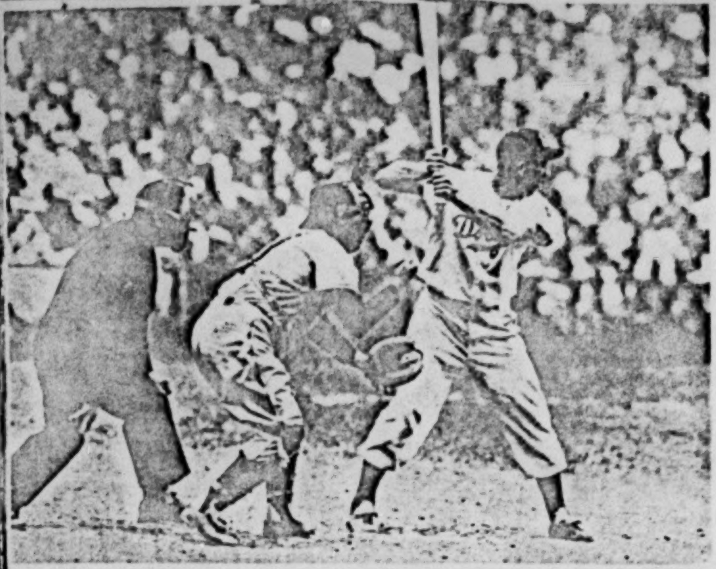
■ ▲ ● *Metropolitan Opera House, New York*

■ *American Shakespeare Festival*
▲ *Le festival américain Shakespearien*
● *Amerikaans Shakespeare Festival*

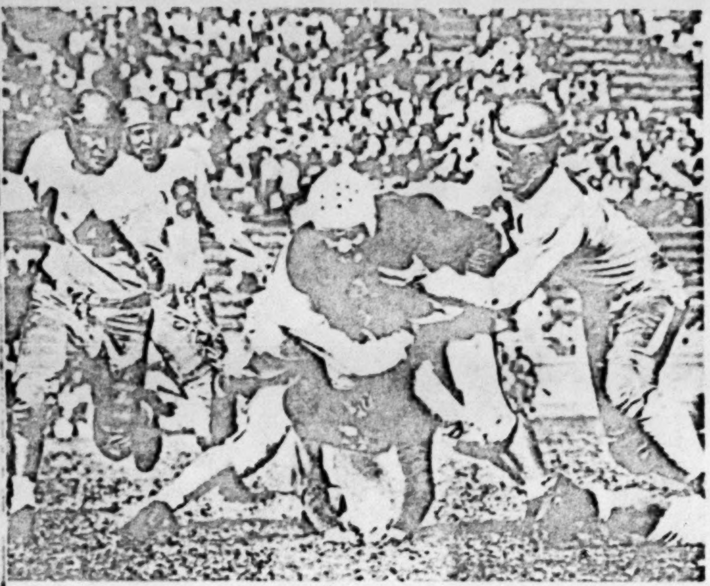
Louis Armstrong Jazz ■
Le jazz de Louis Armstrong ▲
Jazz van Louis Armstrong ●



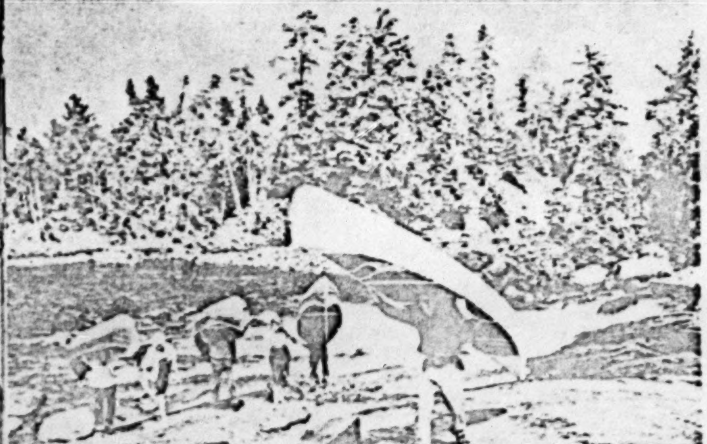
■ *Drama on Television*
▲ *Le drame à la télévision*
● *Drama op televisie*



Baseball, "The National Pastime" ■
Baseball, le sport national ▲
Baseball, de nationale sport ●



College Football ■
Le «football américain» à l'université ▲
«Amerikaanse voetbal» in de universiteit ●



Enjoying a National Park ■
Les plaisirs du parc national ▲
Genieten van een Nationaal Park ●

Recreation

■ Americans love sports, both as spectators and participants. Among the most popular sports are boating, swimming, golf, tennis, bowling, skating and skiing. Nearly 18 million fishing licenses and 14.5 million hunting licenses are issued each year. Among the nation's favorite team and spectator sports are baseball (the "national pastime"), football, basketball and ice hockey. They are played both by amateur teams (mostly school and college) and by professionals.

Because a two-week vacation with pay has become customary, travel is a major form of recreation. More than 54 million Americans visited the country's 29 National Parks during 1957. In 1956, 560,000 Americans traveled to Europe.

Labor and Labor Unions

Labor and labor unions in the United States have made great progress in recent years. The worker not only earns more than he did in the past, but he can buy more with what he earns.

Effective trade unionism had its beginnings in the United States during the last half of the 19th century, and ever since has greatly contributed to improving the conditions of workers. Today about 19 million workers are members of 186 labor unions operating nationally through more than 77,000 local unions. The workers' right to organize into unions of their own choice has been clearly established by the laws and courts.

Among the more important Federal laws concerning labor, from the standpoint of the number of workers covered, are the Fair Labor Standards Act of 1938, which sets minimum wage and hour standards for workers manufacturing goods in interstate commerce, and the Social Security Act.

A significant step in the labor movement was taken in 1955 with the agreement of the two largest national unions to merge under the joint title of "American Federation of Labor and Congress of Industrial Organizations". This merger

Récréation

▲ Les Américains aiment les sports, tant en spectateurs qu'en participants. Parmi les sports les plus populaires, on citera les sports nautiques, le golf, le tennis, le jeu de boules, le patinage et le ski. Environ 18 millions de permis de pêche et 14,5 millions de permis de chasse sont délivrés chaque année. Parmi les sports favoris des spectateurs, on note en premier lieu le baseball (le sport national), le football, le basketball et le hockey sur glace. Tous ces sports sont pratiqués par des équipes d'amateurs (généralement écoles et collèges) et de professionnels.

Grâce aux vacances payées de deux semaines, le tourisme est devenu l'une des formes de récréation les plus courantes. Plus de 54 millions d'Américains ont visité les 29 parcs nationaux des Etats-Unis en 1957. En 1956, 560.000 Américains se sont rendus en Europe.

Travail et Syndicats

Le travail et les syndicats aux Etats-Unis ont fort progressé ces dernières années. Le travailleur non seulement gagne plus que par le passé, mais son pouvoir d'achat s'est également accru.

Le syndicalisme effectif a commencé aux Etats-Unis durant la seconde moitié du XIXe siècle, et a contribué beaucoup depuis lors à améliorer la condition des travailleurs. Aujourd'hui, à peu près 19 millions de travailleurs sont membres de 186 syndicats qui existent à l'échelle nationale grâce à la fédération de plus de 77.000 syndicats locaux. Le droit des travailleurs à s'organiser a été clairement établi devant la loi et les cours américaines.

Parmi les lois fédérales les plus importantes concernant le travail, du point de vue du nombre des travailleurs bénéficiaires, on note le Fair Labor Standards Act de 1938 qui établit des niveaux minima de salaires et de temps pour les ouvriers fabriquant des produits utilisés au-delà de l'Etat d'origine, et la loi sur la Sécurité Sociale.

Ontspanning

● De Amerikanen houden van sport, als toeschouwers en als deelnemers. De meest populaire vormen van sport zijn: zwemmen, zeilen, golf, tennis, kegelen, schaatsen en skiën. Elk jaar worden ongeveer 18 miljoen vergunningen tot vissen uitgereikt, en ongeveer 14,5 miljoen jachtbewijzen. Het « nationale tijdverdrijf » is base-ball, en de meest geliefde vormen van sport voor toeschouwers zijn voetbal, korfbal en ijshockey. De spelers zijn dikwijls amateurs, meestal uit de scholen en colleges, maar er zijn ook beroepsspelers.

Nu de meeste arbeiders twee weken betaald verlof hebben, is het reizen ook een voorname vorm van ontspanning geworden. In 1957 bezochten meer dan 54 miljoen Amerikanen de nationale parken. In 1956 reisden 560.000 naar Europa.

Arbeiders en Syndicaten

In de laatste jaren hebben de arbeiders en de arbeiderssyndicaten grote vooruitgang gemaakt in de Verenigde Staten. Niet alleen verdient de arbeider meer dan vroeger, hij kan ook meer kopen met wat hij verdient.

Het syndicalisme kwam in Amerika tot stand in de tweede helft van de 19de eeuw, en heeft grotelijks bijgedragen tot de verbetering van de arbeidsvoorwaarden van de Amerikaanse arbeider. Thans zijn ongeveer 19 miljoen arbeiders aangesloten bij 186 syndicaten die over het hele land vertegenwoordigd zijn en die 77.000 locale afdelingen bezitten. Dat de arbeiders het recht hebben vakverenigingen naar hun keuze te vormen, werd door de wetten en de rechtbanken van de Verenigde Staten duidelijk vastgelegd.

Een van de meest belangrijke federale wetten betreffende de arbeid, een wet die aan het grootste aantal arbeiders ten goede komt, is de Fair Labor Standards Act van 1938. Deze wet bepaalt het minimum loon per uur voor arbeiders die goederen vervaardigen welke over verschillende staten verzonden worden.

■ gives a single voice to a labor force of approximately 17,000,000 organized workers.

American Economic System

With 6% of the world's population, the American economy produces more than 40% of the world's goods and services. America's rich natural resources, however, are only one reason behind this great productivity. Behind the growth of the economy to an estimated gross national product of $434 billion in 1957, are the skills and talents of the American people and the free enterprise economic system in which they can fully develop. Scientific research has created countless new products and improved old ones. Through automation, machines are doing more and more of the work of processing, assembling, packaging and distributing goods.

Throughout its history, America has provided unparalleled opportunity for individuals of vision, initiative and determination. In its climate of freedom, remarkable men were able to fashion ever-growing industries from humble beginnings. Henry Ford, a farmer's son, turned his dream of a mass-produced car for the mass-market into reality. Thomas A. Edison developed his scientific invention of an incandescent lamp into a commercial enterprise. Isaac Merritt Singer made his name a household word with the first workable sewing machine invented and produced. Alexander Graham Bell invented and developed the telephone, among many other contributions. Andrew Carnegie,

▲ Une étape importante du mouvement syndical a été franchie en 1955 lorsque les deux syndicats nationaux les plus importants décidèrent de fusionner sous le nom combiné de «American Federation of Labor and Congress of Industrial Organizations». Cette fusion donne une voix unifiée à une main d'œuvre d'environ 17.000.000 d'ouvriers syndiqués.

Système économique Américain

Avec 6% de la population mondiale, l'économie américaine produit plus de 40% des biens et services produits dans le monde. La richesse des ressources naturelles des Etats-Unis n'explique que partiellement cette productivité considérable. La croissance de l'économie américaine, qui a atteint un revenu national brut estimé à 434 milliards de dollars en 1957, est dûe à l'ingéniosité du peuple américain et au système de libre entreprise dans lequel cette ingéniosité a pu se développer. La recherche scientifique a créé d'innombrables nouveaux produits et en a amélioré d'autres. Par l'automatisation, les machines accomplissent toujours plus d'opérations, qu'il s'agisse de la fabrication, de l'assemblage, de l'emballage ou de la distribution des produits.

A travers son histoire, l'Amérique a assuré un avenir riche en promesses à des individus pleins d'imagination, d'initiative et de décision. Dans un climat de liberté, des hommes remarquables ont été à même d'édifier des industries toujours plus puissantes à partir de

■ *Workers Leaving Plant*
▲ *Les travailleurs quittent l'usine*
● *Arbeiders verlaten de fabriek*

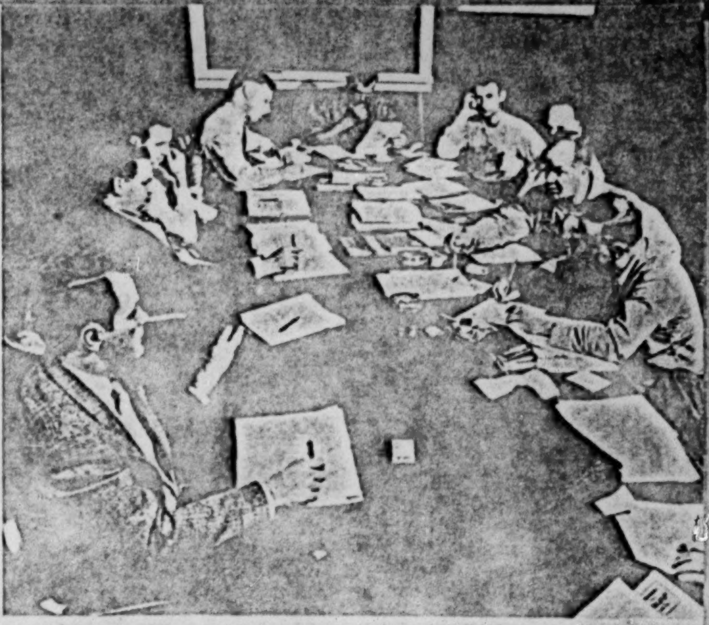
- Een andere belangrijke wet op dit gebied is de wet op de Maatschappelijke Veiligheid.

Van bijzondere betekenis voor de arbeidersbeweging was het akkoord, dat in 1955 bereikt werd, tussen de twee grootste nationale syndicaten en dat tot gevolg had de samensmelting der twee groepen in de American Federation of Labor and Congress of Industrial Organizations (A.F. of L. en C.I.O.). Deze fusie geeft 17 miljoen georganiseerde arbeiders de kans als één man te spreken.

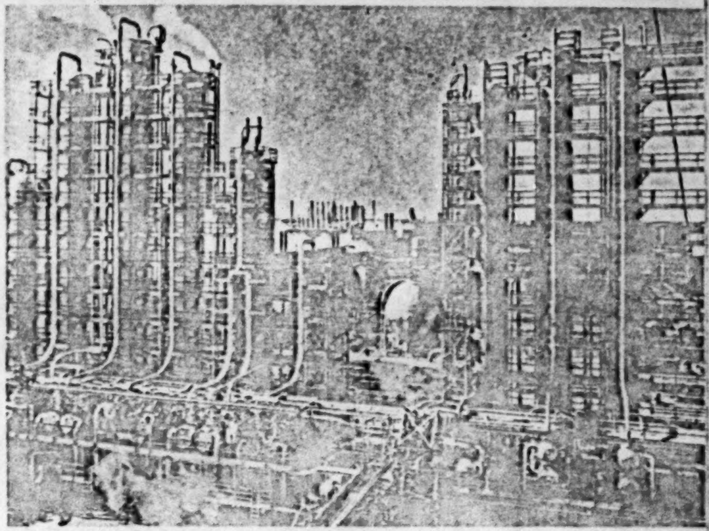
Economisch Systeem

Amerika bezit slechts 6% van de wereldbevolking, maar produceert meer dan 40% van al de goederen en diensten in de wereld. Deze productiviteit is slechts ten dele te verklaren door een grote rijkdom aan grondstoffen. Dat de economie de nationale productie kon opvoeren tot 434 miljard dollar in 1957, is vooral te danken aan de begaafdheid en de technische kennis van het Amerikaanse volk, en ook aan het systeem van economische vrijheid, waarin de gaven van het volk zich vrijelijk kunnen ontplooien. Door wetenschappelijk onderzoek heeft men tal van nieuwe producten gevonden, en heeft men er vele verbeterd. Automatie heeft ten gevolge dat machines meer en meer het werk doen van fabriceren, saambrengen, verpakken en verdelen van goederen.

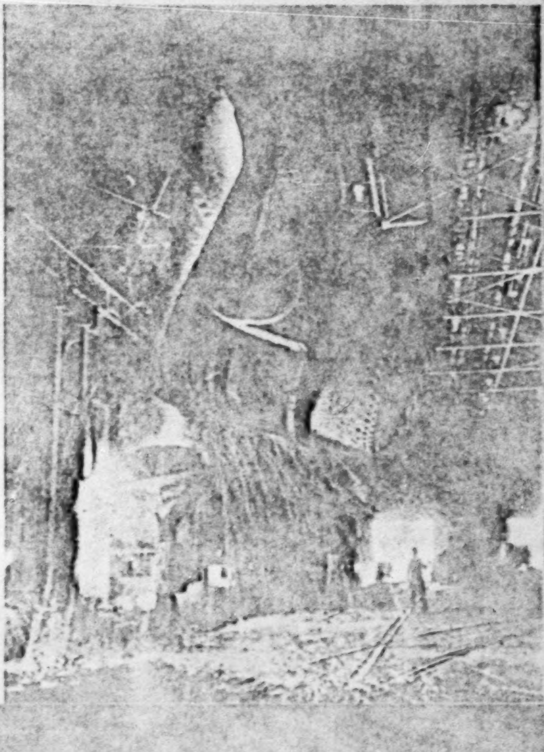
Mensen met visie, initiatief en vastberadenheid hebben altijd in Amerika een ongeëvenaarde kans gevonden. In dit klimaat van vrijheid, zijn een aantal merkwaardige mannen er in geslaagd, uitgaand van een heel bescheiden begin, machtige nijverheidsbedrijven op te bouwen. Henry Ford, zoon van een boer, droomde van een massaproductie van de goedkope wagen: hij verwezenlijkte zijn droom. Thomas A. Edison ontdekte de gloeilamp en stichtte een commerciële onderneming voor de uitbating van zijn wetenschappelijke ontdekking. Isaac Merritt Singer maakte zijn naam bekend over de hele wereld: hij fabriceerde de eerste, degelijke naai-



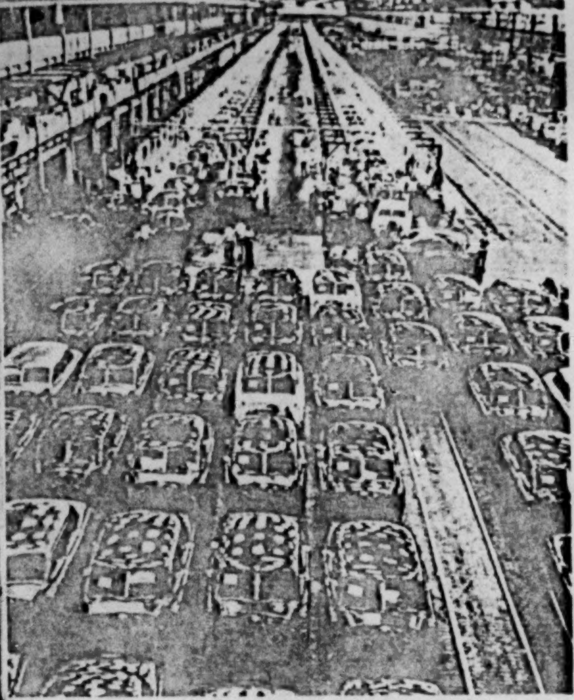
■ *Labor-Management Negotiations*
▲ *Négociations entre patrons et ouvriers*
● *Onderhandelingen tussen werkgevers en werknemers*



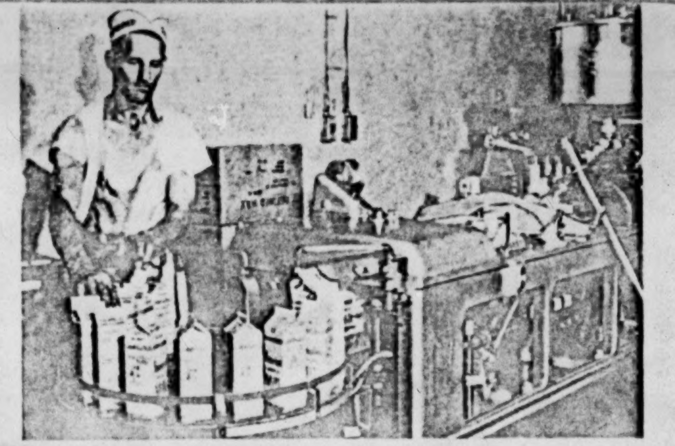
■ *Texas Oil Refinery*
▲ *Une raffinerie de pétrole au Texas*
● *Olieraffinaderij in Texas*



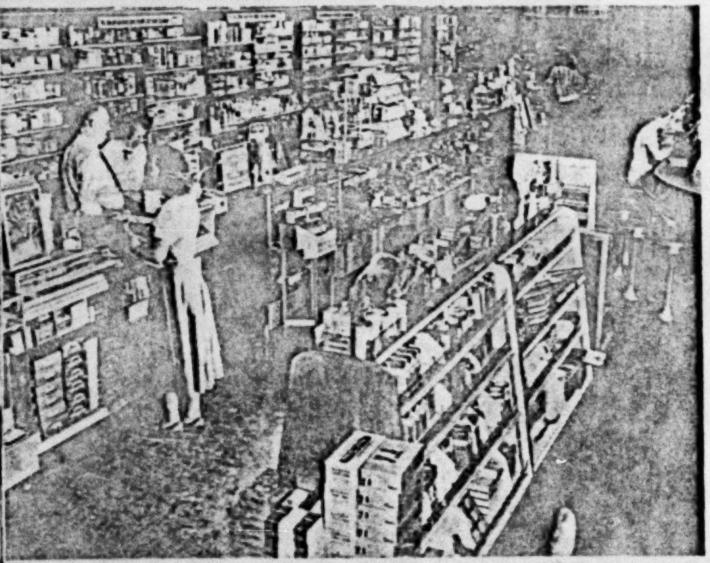
Steel Blast Furnace ■
Un haut-fourneau ▲
Hoogoven ●



A Nation on Wheels ■
Un peuple sur roues ▲
Een volk op wielen ●



■ *Filling Milk Containers*
▲ *Le lait est mis dans les récipients*
● *Melkverpakking*



Drugstore ■
Un «drugstore» ▲
«Drugstore» ●

■ son of an immigrant weaver, who started as a helper in a Pennsylvania cotton mill, founded one of the steel-producing giants of American industry.

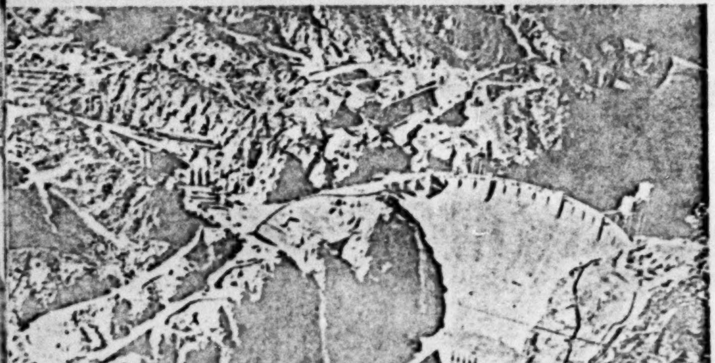
These names stand for an important part of the American heritage. The setting in which this kind of progress took place may have changed somewhat with the years. But the tradition of free enterprise remains alive, still affording untold opportunities to those who combine ideas and energy, harnessing the amazing creativity of the human mind. In recent years, moreover, whole new industries have grown up around the phenomenon of atomic fission leading to the peaceful uses of atomic energy as the servant of man.

Transportation

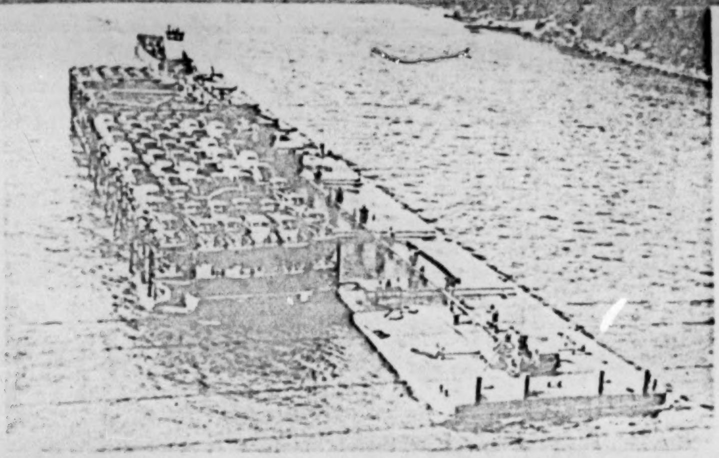
Development of rapid communication and transportation systems in the United States has speeded the growth of industry. In a country the size of the United States, transportation plays a vital role.

America's railroads are privately owned, but rates and fares are regulated by the Interstate Commerce Commission, a Federal agency. While a railroad car may have to travel over the tracks of several railroads, every railroad co-operates in getting the car to its destination in the shortest possible time. The tracks of all railroads are of the same width or gauge.

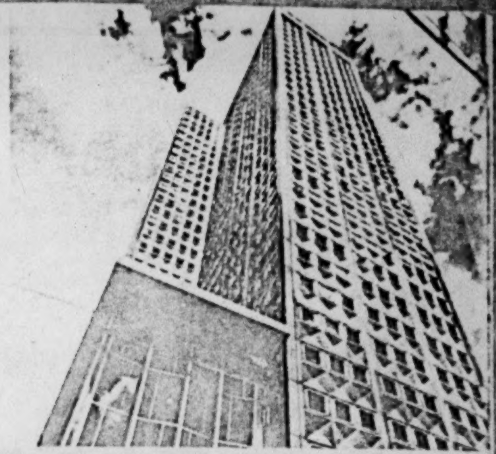
Of the more than 60,000 civil aircraft in the United States, 1,746 are operated by 54 private, scheduled airlines. Some



■ *Hydroelectric Dam*
▲ *Barrage hydro-électrique*
● *Hydroelektrische dam*



■ *River Barge*
▲ *Bac fluvial*
● *Een pont*



■ *Skyscraper Office Building*
▲ *Gratte-ciel pour bureaux*
● *Wolkenkrabber-kantoorgebouw*

▲ débuts modestes. Henry Ford, fils d'un fermier, a ainsi réalisé son rêve de fabriquer à la chaîne une automobile destinée à un marché de masse. Thomas A. Edison a utilisé son invention scientifique de la lampe incandescente pour créer une entreprise commerciale. Isaac Merritt Singer a fait en sorte que son nom soit répété par des millions de ménagères grâce à l'invention et à la fabrication de la première machine à coudre véritable. Alexander Graham Bell a inventé et mis au point le téléphone, parmi bien d'autres contributions à la science. Andrew Carnegie, fils d'un tisserand immigré, qui débuta comme apprenti dans une usine textile de Pennsylvanie, a fondé l'un des plus grands complexes sidérurgiques des Etats-Unis.

Ces noms représentent une partie importante de l'héritage américain. Le cadre dans lequel ce progrès a été acquis peut avoir changé quelque peu avec les années. Mais la tradition de libre entreprise demeure entière, car elle offre toujours des possibilités inusitées à ceux qui savent combiner idées et énergie et mettent à leur service la possibilité de création infinie de l'esprit humain. En outre, ces dernières années, des industries absolument nouvelles sont nées grâce au phénomène de la fission atomique, qui peut servir l'homme par ses nombreuses applications à des fins pacifiques.

Transports

Le développement de communications rapides et de systèmes de transport

● machine. Alexander Graham Bell ontdekte en ontwikkelde de telefoon, en andere uitvindingen. Andrew Carnegie, de zoon van een ingeweken wever, begon zijn loopbaan in een katoenfabriek in Pennsylvania. Hij bracht een van de grootste staalproductiecentra van de Amerikaanse nijverheid tot stand.

Die mannen hebben machtig bijgedragen tot wat Amerika thans is. Het kader waarin de materiële vooruitgang heeft plaats gehad, heeft zich in de laatste jaren gewijzigd, maar de traditie van de vrije onderneming duurt steeds voort. Zij schept ontelbare gelegenheden voor hen die ideeën en energie bezitten en die de verbazende scheppingskracht van de menselijke geest aan het werk stellen. In de laatste jaren zijn nieuwe nijverheden ontstaan rond de splitsing van het atoom, hetgeen geleid heeft tot het gebruik van de atoomenergie voor vredesdoeleinden ten bate van de mens.

Transport

De groei van de nijverheid in de Verenigde Staten werd bevorderd door de ontwikkeling van het snelverkeer en het ontstaan van verschillende vervoermiddelen. In een land zo uitgebreid speelt het transport een grote rol.

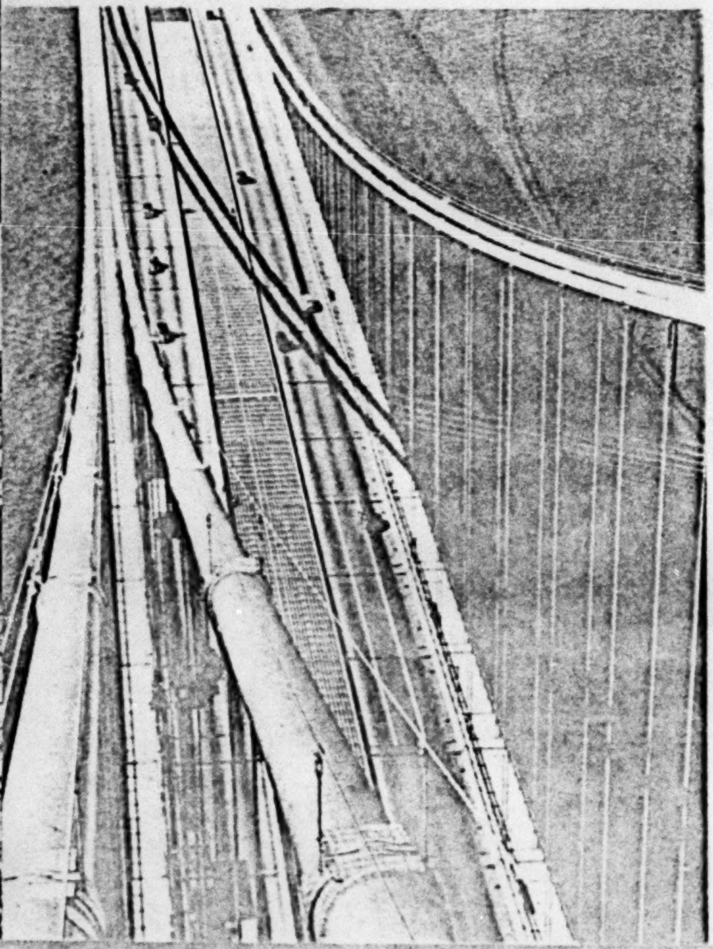
De spoorwegen in Amerika zijn in privé bezit, maar de tarieven worden bepaald door de Interstate Commerce Commission, een federaal organisme. Aangezien een wagon soms de sporen behorende aan verschillende maatschappijen moet gebruiken, doet elke spoorwegmaatschappij haar best opdat de wagon

■ 46 million people travel by air each year. This high figure is due in part to the introduction of lower economy fares.

Notwithstanding, the privately-owned car is still the most important means of transportation. A far-flung network of state and federal highways is available for the use of 65 million registered motor vehicles and connects every town and village of the country. Overland truck-traffic and bus lines play an increasing part in the transport of both freight and passengers.

Agriculture

The United States uses nearly four-fifths of its land for agriculture. This crop area is almost equal in size to the combined area of France, Germany, Italy, the Netherlands and Belgium. Modern farm machinery, fertilization and scientific methods have contributed to an increase in farm output even though farm labor has decreased. In the year ending June 30, 1956, the United States distributed among other countries a total of 1,700,000,000 pounds, (771,000,000 kilograms) of surplus food.



▲ variés aux Etats-Unis, a accéléré la croissance de l'industrie. Dans un pays de cette dimension, les transports jouent un rôle vital.

Les chemins de fer américains sont aux mains de l'entreprise privée, mais les tarifs sont réglés par la Commission du Commerce entre Etats, organisme fédéral. Lorsqu'un wagon de chemin de fer doit utiliser les voies d'autres compagnies, chacune d'entre elles collabore pour qu'il arrive à destination dans le laps de temps le plus court. Les voies de toutes les compagnies de chemin de fer ont la même largeur.

Sur plus de 60.000 avions civils en existence aux Etats-Unis, 1.746 appartiennent à 54 compagnies d'aviation à horaires réguliers. Environ 46 millions de gens voyagent chaque année en avion, et ce chiffre élevé s'explique en partie par l'introduction de tarifs « touriste » à bon marché.

Néanmoins, l'automobile privée continue à être la forme de transport la plus importante. Un réseau serré de routes d'Etat et de routes fédérales est utilisable par 65 millions de véhicules immatriculés. Ces routes relient toutes les villes et les villages du pays. Le trafic routier et les autobus jouent un rôle toujours croissant dans le transport du fret et des passagers.

Agriculture

Environ les quatre cinquièmes de la superficie des Etats-Unis sont utilisés par l'agriculture. Ceci correspond à la superficie combinée de la France, de l'Allemagne, de l'Italie, des Pays-Bas et de la Belgique. Les machines agricoles modernes, la fertilisation des sols, et d'autres méthodes scientifiques ont permis une augmentation considérable de la production agricole alors même que la main d'œuvre agricole diminuait. Au cours des douze mois s'étendant du 1er juillet 1955 au 30 juin 1956, les Etats-Unis ont distribué aux autres pays quelque 771.000.000 de kilos de surplus agricoles.

■ *George Washington Bridge*
▲ *Le pont George Washington*
● *George Washington brug*

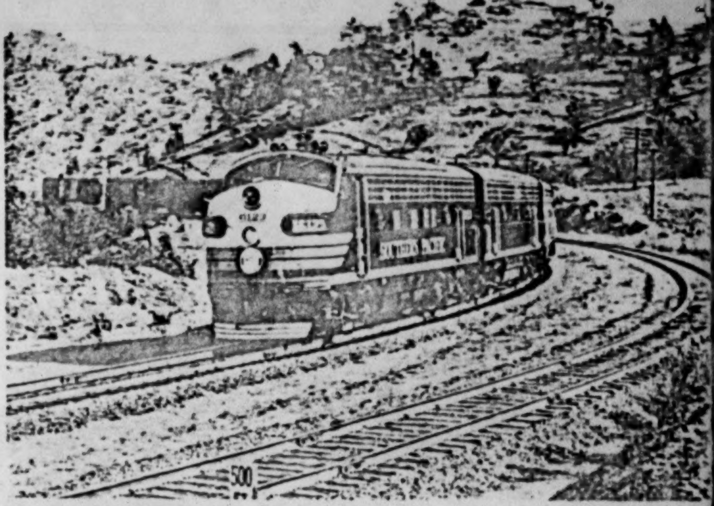
● zo vlug mogelijk zijn bestemming zou bereiken. De sporen van alle maatschappijen hebben dezelfde wijdte.

Er zijn meer dan 60.000 burgerlijke vliegtuigen in de Verenigde Staten. 1.746 zijn in gebruik van 54 geregelde privé luchtvaartlijnen. Jaarlijks reizen ongeveer 46 miljoen mensen per vliegtuig. Dit aanzienlijk aantal is te danken, ten dele althans, aan de goedkope gunsttarieven.

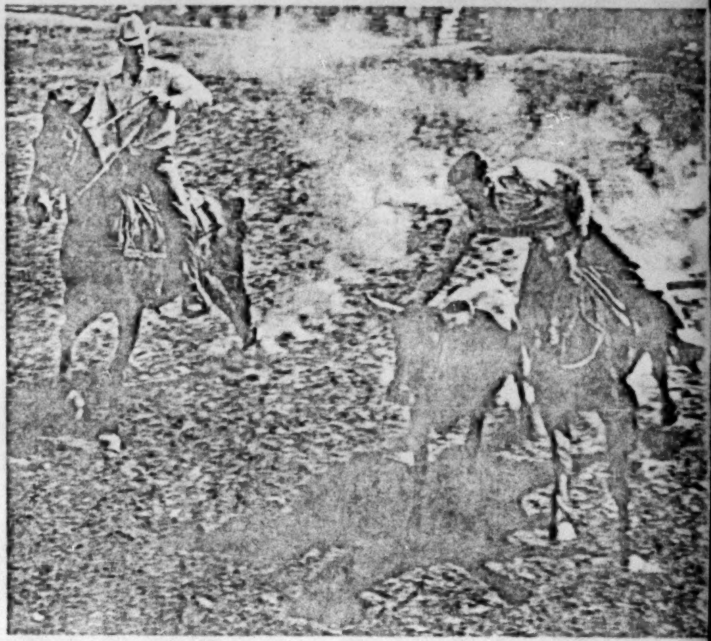
Maar toch blijft de privé wagen nog steeds het meest belangrijke transportmiddel. 65 miljoen auto's gebruiken een uitgebreid wegennet, door de federale regering en door die der 48 Staten tot stand gebracht, dat alle steden en dorpen verbindt. Het vervoer van reizigers en vracht over lange afstanden per bus en per vrachtwagen groeit gedurig.

Landbouw

Ongeveer vier vijfden van het grondgebied van de Verenigde Staten worden voor de landbouw gebruikt. Deze vruchtbare oppervlakte is zo groot als Frankrijk, Duitsland, Italië, Nederland en België samen. Moderne landbouwmachines, meststoffen en wetenschappelijke landbouwmethodes hebben de productie opgedreven, terwijl het aantal werkkrachten gedaald is. Tussen 30 juni 1955 en 30 juni 1956, hebben de Verenigde Staten 771.000.000 kilogram surplusvoorraad van hun landbouwproducten aan andere landen uitgedeeld.

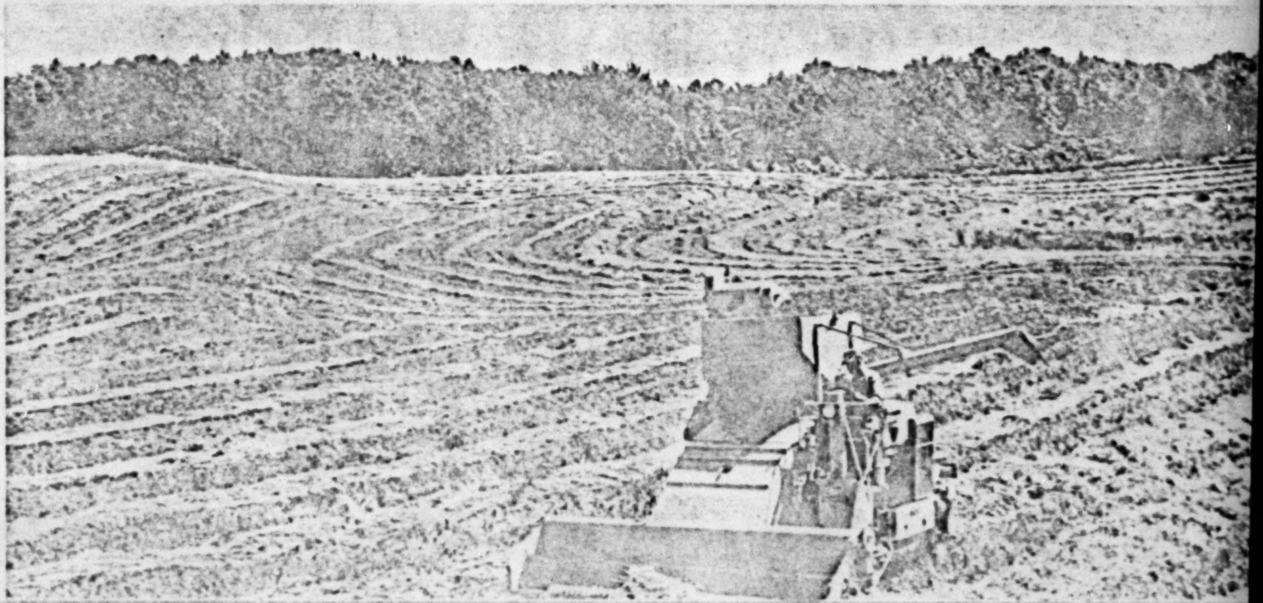


■ *Freight Train*
▲ *Train de marchandises*
● *Vrachttrein*



■ *On a Cattle Ranch*
▲ *Un ranch pour bétail*
● *Op een vee-ranch*

■ *Threshing Grain*
▲ *Le battage du blé*
● *Graan dorsen*



■ SO MANY AMERICAN INDUSTRIAL FIRMS AND INDIVIDUALS HAVE PARTICIPATED IN PREPARING AND PROVIDING THE EXHIBITS FOR THE UNITED STATES PAVILION THAT IT IS NOT POSSIBLE TO LIST THEM ALL IN THIS GUIDEBOOK. WHEREVER POSSIBLE THESE NAMES ARE LISTED WITH THE EXHIBITS THEMSELVES, AND ALL ARE INCLUDED IN A MIMEOGRAPHED LISTING AVAILABLE AT THE INFORMATION DESKS IN THE PAVILION OR BY WRITING TO THE OFFICE OF THE UNITED STATES COMMISSIONER GENERAL.

▲ LES FIRMES INDUSTRIELLES ET LES PARTICULIERS AMERICAINS AYANT PARTICIPE A LA PREPARATION ET A LA FOURNITURE DE MATERIEL D’EXPOSITION POUR LE PAVILLON DES ETATS-UNIS SONT SI NOMBREUX QU’ON N’A PAS PU LES ENUMERER TOUS DANS CE GUIDE. CHAQUE FOIS QUE CELA A ETE POSSIBLE, LEURS NOMS ONT ETE MENTIONNES EN MEME TEMPS QUE LES ARTICLES EXPOSES, ET TOUS ONT ETE INCLUS DANS UNE LISTE QUI PEUT ETRE OBTENUE AUX BUREAUX D’INFORMATION DU PAVILLON OU DEMANDEE PAR ECRIT A L’OFFICE DU COMMISSAIRE GENERAL DES ETATS-UNIS.

● ZO VELE AMERIKAANSE INDUSTRIELE FIRMA’S EN PERSONEN DROEGEN HET HUNNE BIJ TOT DE VOORBEREIDING EN DE OPBOUW VAN DE STANDS VAN HET AMERIKAANSE PAVILJOEN, DAT HET NIET MOGELIJK IS ZE ALLE TE VERMELDEN IN DEZE GIDS. WAAR DAT KON, ZIJN HUN NAMEN VERMELD OP DE STANDS ZELVE EN DE VOLLEDIGE LIJST IS GEDRUKT EN TE VERKRIJGEN AAN HET INFORMATIE-LOKET VAN HET PAVILJOEN. MEN KAN ZE OOK SCHRIFTELIJK VRAGEN AAN HET KANTOOR VAN DE COMMISSARIS GENERAAL DER VERENIGDE STATEN.

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E PLURIBUS UNUM

THE SECRETARY OF THE TREASURY
WASHINGTON

C
O
P
Y

JUL 26 1955

My dear Mr. Chairman:

Recent Court decisions have made it clear that certain tax legislation which the Congress enacted in 1951 is not working out as the Congress intended.

Public Law 183, 82d Congress, First Session (now embodied in sections 521 and 522 of the Internal Revenue Code of 1954) eliminated the tax exemption of cooperatives which had existed previously. A study of the legislative history of this law shows that it had the clearly intended objective of taxing all cooperatives' income in the year earned, either to the cooperative or to the individual member.

Prior law had permitted cooperatives to accumulate necessary reserves tax free. In the 1951 law the Congress removed the allowance for tax-free reserves and provided that cooperatives were to be taxed on earnings at the regular corporate rates. However, in computing taxable income they were allowed deductions not only for cash distributions to their patrons but also for allocations made to patrons of their proportionate shares of the income of the cooperative. The allocations could take any of many forms, including certificates of beneficial interest, and promissory notes with or without due dates or interest.

In taking this action in 1951, the Congress apparently relied on rulings of the Internal Revenue Service that patronage allocations were taxable to patrons when made, regardless of their form. Accordingly, the 1951 Act made no specific reference to the taxability of refunds in the hands of patrons. Congress apparently assumed that the rulings of the Internal Revenue Service were valid, that cash refunds would be taxable currently to the patrons in full, and that non-cash allocations, in whatever form, also would be taxable currently to the patrons at face amounts.

It thus was intended in 1951 that the cooperative income should be taxable as it was earned either to the cooperative itself, or to its members. Such income was to be taxable to the cooperative as a corporation unless paid in cash or otherwise allocated as patronage refunds, in which cases it was assumed to be taxable to the patrons or members.

However, several courts now have held that when allocation certificates issued to patron-members have no fair market value, they are not properly includible in the taxable income of the patron-members when issued. Notwithstanding the non-taxability of these allocations to the members, they remain currently deductible by the cooperative under the clear terms of the 1951 Act. It therefore is possible for cooperatives to take current tax deductions for certificates which are nontransferable, nonredeemable, and non-interest bearing, and not taxable to anyone. Cooperatives thereby may retain earnings, for indefinite periods of time, with no liability for income tax by either the cooperative or its members. Thus, the 1951 Act has failed to accomplish its purpose and, contrary to Congressional intent, in at least some instances cooperatives may retain earnings with no tax imposed either on them or their members.

The general plan of the 1951 legislation, to tax all income from cooperatives' operations as it is earned either to the cooperative or to its patron-members, might now be made effective by appropriate action of Congress in the following manner.

It could be provided that cooperatives could take deductions in computing their taxable income only for (a) cash distributions and (b) non-cash allocations issued in such form or under such circumstances as would make then currently taxable to the patron-members receiving them, and (c) the amount deductible by the cooperative itself should not exceed the amount so currently taxable to patron-members.

This would not interfere with the proper function or financing of cooperatives, but would make it certain that all income is taxed in one place or the other as it is earned. The traditional handling of cooperative affairs would not be impeded.

Some difficulties are involved in requiring patron-members to pay tax currently on non-cash allocations. Where the patron-member gets no cash distribution, he may not have funds to pay the tax. The Internal Revenue Service has received numerous complaints from individual patron-members who object to paying tax on non-cash allocations. Many people naturally consider only cash receipts and expenditures in making their income tax returns.

These difficulties can be eliminated by the adoption of a withholding system comparable to that on wages and salaries. The tax could be withheld at the bottom rate for individuals (now 20 percent). As in the case of wages and salaries, refunds automatically would be made to those entitled to them and additional taxes paid by those subject to higher tax rates. Withholding-at-source would help both patron-members in payment of their taxes and the Treasury in its enforcement and administration problems.

The preceding changes would implement the intent and purposes of the Act of 1951. They would make it sure that non-cash allocations would be taxable, and that tax would actually be paid on behalf of the recipients. Further wholly-tax-free additions to the capital of cooperatives would be prevented.

Cooperatives still would be able to retain for their business use the entire amount of their earnings, subject only to the 20 percent withheld and paid on the tax liabilities of patron-members, by allocating all earnings to their patron-members in the form of taxable certificates. At some appropriate time your Committee may desire to undertake a careful study to determine whether or not this result is in the public interest, in view of the alleged competitive situation existing between cooperatives in competition with corporate businesses which can expand their activities by retained earnings only after paying tax at the full corporate rate, or by sale of securities to the investing public.

The Treasury Department will be glad to be of such assistance as we can to you and your staffs in any consideration that you may give to the various aspects of this subject.

Sincerely

Secretary of the Treasury

Honorable Jere Cooper
Chairman, Committee on Ways and Means
House of Representatives
Room 1107, New House Office Building
Washington, D. C.

STATUS OF THE ADMINISTRATION'S LEGISLATIVE PROPOSALS FOR AGRICULTURE

A. Approved by the Congress and Signed into Law

1. Termination of the Acreage Reserve Program and strengthening of the Conservation Reserve Program of the Soil Bank.
2. Increased appropriation for utilization research (increase of $2,300,000 -- we requested $5,405,000).

B. Approved by the Senate; was in the House Omnibus bill.

1. Extension of Public Law 480.
2. Extension of the special school milk program and continuation of donation of dairy products to the armed forces, etc.

C. Approved by the Senate; no action yet taken in the House

1. Require state participation in drouth and natural disaster relief programs.

D. Approved by the Senate Committee on Agriculture; no action in Senate as yet

1. Elimination of corn acreage allotments and widening of price support range.
2. Increase cotton acreage allotments and widening of price support range. Basing price supports on 1" middling beginning in 1961.
3. Elimination of the escalator clause for rice and widening of price support range beginning in 1961.
4. Extension of National Wool Act (was in House Omnibus Bill).

E. No action as yet on these items

1. Widening the range for price supports and elimination of escalator clauses for wheat and peanuts.
2. Enlarging the membership and responsibilities of the CCC Advisory Board.
3. Broadening the sources of funds for the Rural Electrification Administration.
4. Improve conservation accomplishment by use of funds to achieve longer lasting benefits.
5. Widening the price support range on dairy products and tobacco.

F. Undesirable Provisions of Pending House Omnibus Bill, H.R. 12954

1. Barter - Makes barter mandatory. This will lose dollar markets and hurt international relations.
2. Dairy - Production controls on 1.5 million dairy farmers. Will destroy markets by higher consumer prices.
3. Wheat - Domestic parity program - vetoed 3 times - Raise consumer prices.
4. Feed Grains - One alternative includes $1,350 million acreage reserve program over 3 year period - Keeps acreage controls.
5. Cotton - 3 year program under which $1.2 to $1.5 billion will be spent, surpluses increased and return to present discredited program.

G. House Action

1. A rule to bring the House Omnibus farm bill to the floor was rejected yesterday, 171 - 214.
2. Today effort will be made to extend Public Law 480 and school milk program under suspension of the rules.

6/27/58

CABINET PAPER—PRIVILEGED

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CA - 58-110

July 3, 1958

The White House

Washington

THE CABINET

Agenda

EXECUTIVE SESSION:

8:45 AM, Monday, July 7, 1958

REGULAR SESSION:

8:50 AM, Monday, July 7, 1958

1.	OPERATION ALERT, 1958 -- Summary of the Situation for the Federal Action Phase	(Oral)	The Director, Office of Defense and Civilian Mobilization
2.	Proposed Special Message and Legislation Regarding the Issuance and Denial of Passports	CI - 58-57	The Secretary of State
3.	The Status and Economic Significance of the Airline Equipment Investment Program	CP - 58-83	The Special Assistant to the President for Aviation Matters

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

July 7, 1958
8:45 A. M. -- 10:25 A. M.

The following were present:

President Eisenhower

EXECUTIVE SESSION

Vice President Nixon
Sec. Anderson
Sec. McElroy
Atty Gen Rogers
Sec. Benson
Sec. Mitchell
Sec. Weeks
Sec. Folsom

Amb. Lodge

Gov. Adams
Gen. Persons

REGULAR SESSION

Under Sec. of State Herter
(for Sec. Dulles)
Deputy PMG Sessions
(for Mr. Summerfield)
Under Sec. Interior Chilson
(for Sec. Seaton)
Mr. Merriam
Gov. Hoegh
Dr. Saulnier
Dr. Paul Cherington, in part
Mr. Gordon Bennett, in part

Dr. Killian
Mr. Randall
Gen. Goodpaster
Capt. Aurand, in part
Mr. Jack Anderson
Mr. Siciliano
Dr. Hauge, in part
Mrs. Wheaton
Mr. Harlow, in part
Gen. Quesada, in part
Mr. Robert Gray
Mr. Patterson
Mr. Minnich

Operation Alert 1958 - Gov. Hoegh brought the Cabinet up to date on this Exercise, setting forth some of the results of analysis of resources within the United States following the attack presumed to have occurred two weeks ago. He referred to the "play" scheduled for July 16 and 18, and again requested the full cooperation and support of all the departments and agencies.

The President asked about the radiation effects that might be expected from the exposure of cattle, hogs, etc., to fallout. Gov. Hoegh said that no effect would show in the butchered product, or in corn or other processed foods, so long as these foods did not have the irradiated material within them.

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-11-76

Passport Legislation - (CI 58-57) - Mr. Herter informed the President that Sec. Dulles would be discussing with him the special message to the Congress on the need for this legislation. He stressed the importance of being able to control those individuals whose actions (not ideas) are harmful to the United States. He noted that the Supreme Court might disallow even this bill as being unconstitutional but that would not be determined for two or three years.

The President developed the fact that the Government has a responsibility to safeguard an individual who has been issued a passport, then asked if there might be various types of passports which would thus relieve the Government in certain cases from having to bear this responsibility for people intent upon causing the Government trouble.

Mr. Rogers pointed out that the Supreme Court did not declare the control of passports to be a violation of the Constitution; rather, that the practice of refusing to issue a passport violated an existing law, hence the Administration was moving to change the governing law. However, the Supreme Court might subsequently find, as Mr. Herter had suggested, that the act of changing the particular law was unconstitutional.

Mr. Rogers requested an opportunity to have a final look at the proposed Presidential message to see that it was entirely consistent with the draft legislation that would be forwarded.

Airlines Investment and Modernization Problems - (CP 58-83) - General Quesada told how he had foreseen several months ago that the airlines might not be able to carry out, because of financial difficulties, the major investment programs already scheduled with the result that the Government would be saddled with a serious liability in view of its current programs. Consequently, he had asked Dr. Paul Cherington of the School of Business Administration of Harvard University to develop a report on the problem. Dr. Cherington reviewed relatively briefly the situation of the airlines with regard to new equipment programs, trends in load factors, limitations imposed by CAB rate regulations, etc. His chief point was that the Government at this time should have a thorough understanding of the airlines' problems, even though no immediate action program was being recommended. Dr. Cherington summarized much of the material in the written report distributed to the Cabinet members. He went over the six actions set forth in the summary conclusions that the Government might take to be helpful.

With regard to the report, Dr. Cherington outlined alternative courses of action including: (1) take no action; (2) simply release the report; (3) ask the agencies to review the report and govern their actions appropriately; (4) make a White House announcement of a study to be initiated on basic legislation pertaining to the aviation industry or to all transportation, and also on the conceptual basis of the regulatory agencies (whether their function was to be purely judicial or to include policy-making); and (5) to press for settlement of the MATS-Airlines controversy.

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By GHC NLE, Date 8-11-76

Regarding the last, Sec. McElroy pointed out that the effort was already under way to settle the controversy but that he would welcome any supplementary word from the President. The President noted the dilemma that would result if MATS were to be abolished and at about that time the Government would have to buy up the jet airliners produced for companies that could not pay for them.

In response to a comment of the President's on the demagoguery that often occurs whenever a small airline is involved, Gen. Quesada went on to state that the CAB staff still seems to be governed by the philosophy of the early years of aviation when monopoly was a principal feature and a great need for development existed. Dr. Cherington responded affirmatively to the President's question as to whether the airlines had not overreached themselves and might not have to suffer some temporary jars and dislocation if a reasonable plan and objective is to be laid out and accomplished.

It was noted several times throughout the discussion that the CAB had been dragging its feet on rate adjustments which might permit the airlines to set more realistic rates on peak traffic and more attractive rates on off-hours traffic, thus increasing the load factor and the fiscal soundness of the airlines.

Sec. Mitchell emphasized repeatedly the possible undesirability of a glamorized release of this report since it would create unfounded expectations of governmental programs to cure every last difficulty. Mr. Lodge thought the report might have a depressing economic effect but he was reassured that the information in it was already known by all who had an active interest in the subject. Mr. Merriam feared that announcement of a study on the conceptual basis of the regulatory agencies might jeopardize the preliminary studies that the Rockefeller Committee was on the verge of undertaking prior to opening up a joint study.

After extended discussion of how the report should be handled, Gov. Adams suggested that it be reviewed further by Dr. Cherington and Gen. Quesada with a view to making certain changes in the light of the Cabinet discussion, that it then be considered again by the Cabinet with a view to its being issued as a report from Dr. Cherington to Gen. Quesada. The Governor, as also Gen. Quesada, emphasized the need for a show of public interest and a greater governmental awareness, particularly in the CAB, regarding the urgency of the airline problems.

Sec. Weeks noted that MATS was the biggest airline in the world and subsequently urged that the comment on user charges be reviewed since it seemed to deviate markedly from Administration policy. Gen. Quesada replied that the decision was already made to remove the paragraphs that would cast any doubt on the desirability of user charges.

The President concluded the discussion by directing Gen. Quesada to work further with Dr. Cherington, then discuss it again with the President prior to a later review by the Cabinet.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2)✓
Mr. Gray
Mr. Minnich

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CABINET PAPER—PRIVILEGED RA - 58-110

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The White House July 28, 1958

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the regular session of the Cabinet on Monday, July 7, 1958:

1. OPERATION ALERT, 1958
Summary of the Situation for
the Federal Action Phase

ACTION:

In the light of the status report given by the Director of the Office of Defense and Civilian Mobilization, the President again emphasized that the attainment of the objectives of the Exercise will depend on the full cooperation of all the Cabinet Members and Agency Heads.

2. Proposed Special Message and
Legislation Regarding the Issuance
and Denial of Passports

/Information Item Only/

3. The Status and Economic
Significance of the Airline
Equipment Investment Program

CP - 58-83

ACTION:

The Special Assistant for Aviation Matters will:

a) review the Report (CP - 58-83) in the light of the initial Cabinet discussion,

b) discuss with the President the most feasible alternative courses of action with respect to such conclusions as this review may suggest,

c) discuss with the President the most appropriate method of making information in the Report available to the public, and

d) then, as suggested by the President, again raise the subject and the recommendations thereon for Cabinet consideration.

Robert Gray
Secretary to the Cabinet

Approved by the
President
July 28, 1958

CABINET PAPER
For Action

THE WHITE HOUSE
WASHINGTON

July 3, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Monday, July 7

The following are the items listed for the Cabinet meeting on Monday:

EXECUTIVE SESSION:

Last Saturday when Governor Hoegh and Gordon Gray discussed with you the "surprise" aspects of OPERATION ALERT, you concurred with their proposals but expressed the wish that each Cabinet Member be secretly alerted that the "surprise" was coming. This five-minute Executive Session will enable you and/or Governor Hoegh to notify the Secretaries. The paper which describes the "surprise" (i.e., the request for personal participation of the Under Secretaries) is attached under Tab 1.

REGULAR SESSION:

1. OPERATION ALERT, 1958 -- Summary of the Situation for the Federal Action Phase (Governor Hoegh)

This being the last Cabinet meeting prior to the Federal Action Phase of OPERATION ALERT, Governor Hoegh is prepared to give you and the Cabinet a review of the hypothetical situation as it will face the government agencies at the beginning of the Alert on July 14.

2. Proposed Special Message and Legislation Regarding the Issuance and Denial of Passports (Secretary Dulles)

Secretary Dulles has transmitted to you a proposed Message to the Congress and a draft bill. With Mr. Morgan's help the message is being revised and in fact you may have signed it by the time the Cabinet meets on Monday.

Since this matter is of such general interest, however, and has already been the subject of considerable public attention, Secretary Dulles is prepared to review his proposals for the edification of the Cabinet and in order to insure full understanding and support.

3. The Status and Economic Significance of the Airline Equipment Investment Program (Mr. Quesada)

The U.S. airlines are facing a serious financing problem in connection with their coming change-over to jet transports. Mr. Quesada has had a study prepared by Dr. Paul W. Cherington of the Harvard University Graduate School of Business Administration. This study will be presented on Monday with the aid of an excellent series of charts.

A separate briefing memorandum by Mr. Quesada is attached under Tab 3.

Robert Gray

Robert Gray
Secretary to the Cabinet

Electrostatic reproduction made for preservation purposes by the Eisenhower Library in replacement of a deteriorating manuscript item.

Operation Alert -- Top Level Federal Participation

Wednesday, 16 July through Friday 18 July

1. All key officials of Departments and Agencies to be aware of, and participate as fully as possible in, Operation Alert.

2. This means that calendars should be kept clear of all but compelling engagements, and out-of-town commitments be held to a minimum.

3. Department heads, i.e. Secretaries, may, but are not instructed, to relocate personally; however, those who can do so without violence to pressing business, are encouraged to relocate, if only for a part of the period. Deputy and Under Secretaries should be fully prepared to participate.

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CI - 58-57
July 3, 1958

The White House
Washington

THE CABINET

Proposed Special Message and Legislation Regarding the Issuance and Denial of Passports

For information of the Cabinet, attached are the texts of (a) a draft Special Message of the President and (b) a proposed bill regarding the issuance and denial of passports.

The Secretary of State submitted the Message and the Bill, the latter bearing the concurrence of the Attorney General. The attached draft of the Message embodies certain White House revisions. It is expected that the Message and the legislation will be transmitted to the Congress early in the week of July 7.

These papers are attached as background for the discussion of this matter at the Cabinet meeting of July 7.

Robert Gray
Secretary to the Cabinet

CABINET PAPER
For Information

TO THE CONGRESS OF THE UNITED STATES:

Since the earliest days of our Republic, the Secretary of State has had the authority to issue or deny passports. Historically this authority stems from the Secretary's basic responsibilities as the principal officer of the President concerned with the conduct of foreign relations. Congress has over a period of years given the Secretary of State certain additional statutory authority in the field.

In recent years the Secretary of State has based his limitation of passports on two general grounds. The first of these has been that an applicant's travel, usually to a specific country or countries, was inimical to United States foreign relations. The second of the general grounds of denial has been that the applicant is a member of the Communist Party; is under Communist Party discipline, domination, or control; or that the applicant is traveling abroad to assist knowingly the International Communist Movement.

Recently the Supreme Court ruled that the Secretary of State did not, under existing legislation, have authority to deny passports to the applicants on the second of these grounds. I recommend the enactment of legislation to give him that authority in unmistakable terms. It is essential that the Government today have power to deny passports to persons who are engaged in activities in furtherance of the International Communist Movement.

Moreover, the Secretary should have clear statutory authority to prevent Americans from using passports for travel to areas where there is no means of protecting them, or where their presence would conflict with our foreign policy objectives or be inimical to the security of the United States. Such grounds for restricting or denying passports may or may not have any connection with the International Communist Movement. They are, however, essential for the orderly conduct of our foreign relations and basic to the maintenance of our own national security.

In exercising these necessary limitations on the issuance of passports, the Executive Branch is greatly concerned with seeing to it that the inherent rights of American citizens are preserved. Any limitations on the right to travel can only be tolerated in terms of overriding requirements of our national security, and must be subject to substantive and procedural guarantees.

The Secretary of State will submit to the Congress a proposed draft of legislation to carry out these recommendations.

I wish to emphasize the urgency of the legislation I have recommended. Each day and week that passes without it exposes us to great danger. I hope the Congress will move promptly toward its enactment.

THE WHITE HOUSE.

A BILL

To provide standards for the issuance of passports; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Passport Act of 1958."

TITLE I - Authority to Issue Passports; Persons Entitled to Passports

Sec. 101(a) The Secretary of State and any officer of the United States duly authorized by him may issue, renew, deny or revoke passports in the United States, in territories over which the United States exercises trusteeship, and in foreign countries. No other persons shall issue, renew, deny or revoke such passports.

(b) The Secretary of State is authorized to prescribe regulations consistent with this Act pertaining to passports.

Sec. 102. Passports shall be issued only to citizens of the United States or persons who, though not citizens of the United States, owe permanent allegiance to the United States. No person other than those enumerated above shall be included in a passport issued to another.

Sec. 103. A passport shall be issued to a person qualified under section 102 upon the completion of the prescribed application, except that no passport, other than one issued in a foreign country and limited for direct and immediate return to the United States, shall be issued to any person in one or more of the following categories:

(1) Persons under indictment or information for a felony; or

(2) Persons under indictment or information for violating sections 107 or 402 of this Act; or

(3) Persons who are free on bail pending appeal from criminal conviction; or

(4) Persons who have been convicted within five years of violating sections 107 or 402 of this Act, unless a bond in the sum of $5,000.00 is posted conditioned upon compliance with such sections during the period for which a passport may be issued; or

(5) Persons as to whom it is determined upon substantial grounds that a purpose for which the passport is requested is to travel to or in a country or area which has been designated by the Secretary of State in a determination made and published under section 401; or

(6) Persons as to whom it is determined upon substantial grounds that their activities or presence abroad or their possession of a passport would: (i) be in violation of any law of the United States or of any State or territory,

or any order issued by any court in the United States; (ii) seriously impair the conduct of the foreign relations of the United States; or (iii) be inimical to the security of the United States.

Sec. 104(a) The Congress finds that the International Communist Movement seeks everywhere to thwart United States policy, to influence foreign governments and peoples against the United States, and by every means, including violence, to weaken the United States and ultimately to bring it under Communist domination; that the activities of the International Communist Movement constitute a grave peril to the security of the United States; that the issuance of a passport to any applicant described in section 104(b) facilitates the travel of such person to and in foreign countries and presumptively supports the activities and operations of the International Communist Movement; and that, in view of the unbroken history of the fraudulent use of United States passports by supporters of the International Communist Movement, the mere possession of a passport by a person described in section 104(b) presumptively lends support to the activities and operations of the International Communist Movement.

(b) In determining whether a person is within the categories described in section 103(6)(ii) or (iii) the Secretary shall take into account the foregoing findings by the Congress and shall consider as material, among other matters, whether the applicant is a person who, whether or not a member or former member of, or affiliated with, the Communist Party, knowingly engages or has engaged, within ten years prior to filing the passport application, in activities in furtherance of the International Communist Movement.

(c) If the evidence in any proceeding under Title III of this Act is such as to warrant the conclusion that a person is within section 104(b), the person shall have the burden of proving that he is not within one of the categories described in section 103(6)(ii) or (iii).

(d) The provisions of this section shall continue in effect until such time as the President or the Congress shall determine and declare that the activities of the International Communist Movement are no longer such as to require their application. Until such determination and declaration have been made, each applicant for a passport shall be required to state in the passport application whether he is, or has been within ten years prior to verifying the application, a member of the Communist Party or a supporter of the

International Communist Movement, and to state the circumstances of any such membership or to state his activities in support of the International Communist Movement.

Sec. 105. Notwithstanding the provisions of sections 103 and 104 of this Act, the Secretary of State may direct the issuance of a passport in any case, provided he deems such action advisable in the national interest. Such passport may be limited with respect to duration and the areas for which it is valid.

Sec. 106. Upon application therefor, duly completed, a passport shall be issued, or the applicant shall be informed in writing of a denial thereof, within 90 days after the receipt of such application. A denial shall set forth the reasons therefor, as specifically as is consistent with considerations of national security and foreign relations. A passport may be revoked whenever the holder thereof is not entitled to a passport under the terms of this Act. Upon the revocation of a passport, the holder thereof shall be informed in writing of the reasons therefor, as specifically as is consistent with considerations of national security and foreign relations.

Sec. 107. A passport issued under this Act shall at all times remain the property of the United States. It shall be unlawful for any holder of a passport to refuse to surrender it upon proper demand by the Secretary of State or his authorized agent.

TITLE II - Requirements for Issuance of Passports

Sec. 201. Before a passport is issued to any person, such person shall subscribe to and submit a written application, duly verified by his oath or affirmation before a person authorized to take passport applications, containing a true recital of each and every matter of fact which may be required by law or by the regulations authorized by this Act to be stated as a prerequisite to the issuance of any such passport, including statements as to the applicability of any of the provisions of sections 103 and 104. Any person authorized to take passport applications may administer oaths in connection with such applications.

Sec. 202. There shall be collected and paid into the Treasury of the United States quarterly a fee of $2 for executing each application for a passport and $9 for each passport issued: Provided, That nothing contained herein shall be construed to limit the right of the Secretary of State by regulation to authorize the retention by officials of the several States of the fee of $2 for executing an application for a passport. No fee shall be collected for passports issued to officers or employees of the United States proceeding abroad in the discharge of their official duties, or to members of their immediate families, accompanying or residing with them abroad, or to seamen, or to widows, children, parents, brothers, and sisters of American soldiers, sailors, or marines, buried abroad whose journey is undertaken for the purpose and with the intent of visiting the graves of such soldiers, sailors, or marines, which facts shall be made a part of the application for the passport.

Sec. 203. Whenever a fee is erroneously charged and paid for the issuance of a passport to a person who is exempted from the payment of such a fee by section 202 of this Act, the Department of Treasury is authorized to refund to the person who paid such fee the amount thereof upon proper notice from the Department of State.

Sec. 204. Whenever the appropriate officer within the United States of any foreign country refuses to visa a passport and the unused passport is returned within six months from the date of issue, the Department of Treasury is authorized, upon notice from the Department of State, to refund the issue fee of $9 to the person to whom the passport was issued.

Sec. 205. A passport shall be valid for a period of three years. During a period of two years thereafter and upon the payment of a fee of $5, it may be renewed for a period not to exceed five years from the date of issuance.

TITLE III - Procedure for Review of Passport Denial

Sec. 301. There shall be established within the Department of State a Passport Hearing Board consisting of three officers of the Department to be designated by the Secretary of State. This Board shall have jurisdiction in all cases wherein a hearing is requested in writing within thirty days after notification of the denial, revocation, or restriction of a passport, except in cases of action taken by reason of non-citizenship or geographical restrictions of general applicability. The Board shall hold a hearing within ninety days after the receipt of the request unless such time limit is extended at the request of the party.

Sec. 302(a). The Secretary shall establish and make public rules which shall accord to the individual in proceedings before the Board the following rights:

(1) To appear in person and to be represented by counsel;

(2) To testify in his own behalf, present witnesses and offer other evidence;

(3) To cross-examine witnesses appearing against him at any hearing at which he or his counsel is present and to examine all other evidence which is made a part of the open record;

(4) To examine a copy of the transcript of the proceedings or to be furnished a copy upon request.

(b) In order to protect information, sources of information and investigative methods, disclosure of which would have a substantially adverse effect upon the national security or the conduct of foreign relations, the Board may at any time consider oral or documentary evidence without making such evidence part of the open record. The Board shall furnish a resumé of any such evidence, and shall certify that it is a fair resumé. The Board shall take into consideration the individual's inability to challenge information of which he has not been advised in full or in detail or to attack the credibility of information which has not been disclosed to him.

Sec. 303. The Board shall make written findings, conclusions and recommendations, which shall be transmitted with the entire record to the Secretary of State who shall make the final administrative determination. A copy of the recommendation and of such findings and conclusions as are based upon the open record shall be furnished the individual, who may within twenty days following the receipt thereof submit to the Secretary written objections thereto. The Secretary shall base his determination upon the entire record submitted to him by the Board, including all findings and conclusions, and upon any objections submitted by the individual. If the Secretary deems it necessary in the interests of national security or the conduct of foreign relations, and so certifies, he may also consider additional information, available to him as Secretary of State, which cannot be made known to the individual, either by resumé or otherwise. In appropriate cases, the Secretary may remand a case to the Board for further proceedings. In the event he takes action adverse to the individual, the Secretary shall make appropriate written findings, certifications, and conclusions.

Sec. 304. The United States District Court for the District of Columbia shall have jurisdiction to review any final determination of the Secretary of State under section 303 of this Act to determine whether there has been compliance with the provisions of this Act and of any regulations issued thereunder. In any such proceedings the court shall have power to determine whether any findings which are stated to be based upon the open record are supported by substantial evidence contained in that record, but as to the findings stated to be based on the closed record the court shall accept the resumé or certification by the Secretary or the Board as supporting such findings.

TITLE IV - Geographical Limitations of General Applicability

Sec: 401. In the event that the Secretary of State makes a determination that the United States Government is unable to provide adequate protection to persons traveling in particular countries or areas, due to the lack of diplomatic relations or due to disturbances within such countries or areas, or that travel of United States nationals to or in such countries or areas would seriously impair the foreign relations or foreign policy of the United States, he may publish such determination and may cause notice thereof to be stamped on each passport thereafter issued, renewed or amended.

Sec. 402. No person who holds a passport or is included in the passport of another shall travel to or in any country or area which to his knowledge has been designated by the Secretary of State in a determination made and published under Section 401, except that in the national interest the Secretary may make exceptions to geographical limitations of general applicability for particular categories of persons.

TITLE V - Penalties

Sec. 501. Any person who violates the provisions of sections 107 or 402 shall be guilty of a misdemeanor and upon conviction be punished by imprisonment for a period not exceeding one year or by a fine not exceeding $1,000, or both.

TITLE VI - Laws Repealed

Sec. 601(a). The following Acts or parts of Acts and all amendments thereto are repealed:

(1) Section 4076 of the Revised Statutes (22 USC 212);

(2) Section 4077 of the Revised Statutes (22 USC 218);

(3) Section 1 of Title IX of the Act of June 15, 1917 (22 USC 213);

(4) Sections 1, 2, and 4 of the Act of June 4, 1920 (22 USC 214, 215, 216);

(5) Sections 1, 2, and 3 of the Act of July 3, 1926 (22 USC 211a, 217a, 214a).

(b) All other laws, or parts of laws, in conflict or inconsistent with this Act are, to the extent of such conflict or inconsistency, repealed.

Sec. 602. Nothing in this Act shall be construed to limit, amend or repeal the provisions of section 215 of the Act of June 27, 1952, Chapter 477, Title II, Chapter 2, (8 USC Sec. 1185).

TITLE VII - Separability

Sec. 701. If any provision of this Act is held invalid, the remaining provisions shall not be affected.

TITLE VIII - Effective Date

Sec. 801. This Act shall take effect fifteen days after its enactment.

State - FD - Wash.D.C.

ACTIONS BY GOVERNMENT TO FACILITATE JET PROGRAM

1. Permission by CAB to carriers to make reasonable, temporary fare adjustments.
2. Closer coordination between Federal, local and carrier officials in planning ground facilities.
3. Re-examination of timing and impact of user charges.
4. Study by CAB of compatibility of present route structure and degree of competition with jet operation.
5. Studies by ACC and OCB on ways to facilitate sale of older transports abroad in appropriate circumstances.
6. If tax policy question re-opened, consideration of repeal or reduction of passenger transportation excise tax.

ALTERNATIVE COURSES OF ACTION

1. Do nothing.

2. Release the report as a report of the Special Assistant.

3. President transmit report to Executive agencies concerned, requesting action where appropriate, and to CAB and Congress for information.

4. White House announce study program in the following areas:

    a. Examination of basic aviation (or all transportation) regulatory and economic legislation, leading to legislative proposals to Congress for needed changes.

    b. A review in depth of the conceptual basis, the procedures and the staffing of the transportation and utility regulatory agencies.

5. President request Secretary of Defense to review and resolve MATS - Airline controversy.

EXECUTIVE OFFICE OF THE PRESIDENT
PRESIDENT'S ADVISORY COMMITTEE ON GOVERNMENT ORGANIZATION
WASHINGTON 25, D. C.

July 7, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: General Quesada's Letter of July 3, 1958 Transmitting Report on Economic Difficulties in Aviation Industry.

Background

On April 29, 1958, we discussed with you our reorganization proposal for establishment of a Department of Transportation. You were receptive to this approach and indicated that such a reorganization proposal should be developed in time for transmittal to Congress in January 1959.

We also discussed possible interim actions to deal with urgent situations including:

1. A study to develop the facts concerning the threatened financial crisis in jet conversion of commercial aviation.

   This study was the basis for the report which General Quesada transmitted to you on July 3, 1958.

2. Creating a staff of over-all transportation experts capable of providing a balanced and impartial evaluation of the inter-related transportation needs of the Nation.

   You suggested that your Emergency Fund might be used initially to establish this expert staff, which it was contemplated would be attached temporarily to the Secretary of Commerce, pending later transfer to the Secretary of Transportation. This project has not yet been implemented.

Another interim action to meet an urgent need which developed subsequent to the April 29, 1958 meeting, was:

3. Transmittal on June 13, 1958 of your message proposing establishment of a single Federal Aviation Agency (which you approved to meet an immediate situation without prejudice to its later incorporation within an over-all Department of Transportation).

Recommendations

This Committee has reviewed General Quesada's letter to you dated July 3, 1958, and the attached report prepared by Professor Paul Cherington, and have the following recommendations:

1. We feel that it would be in the public interest for you to provide copies of the Cherington Report:
   - a. To the Congress for its information.
   - b. To the Civil Aeronautics Board and other departments and agencies directly concerned, for appropriate action.
   - c. To the press.

2. We would urge that your statement transmitting the Cherington Report indicate that studies are now in process looking toward the development by early 1959 of recommendations for the better organization and administration of the Federal Government's responsibilities covering all fields of transportation.

3. We recommend that steps be taken promptly to establish the group of over-all transportation experts, as discussed with you on April 29 and as recommended in General Quesada's letter of July 3, 1958. However, under present circumstances we believe this group should be located in the Executive Office of the President, rather than attached to the Secretary of Commerce, pending ultimate transfer to the Secretary of Transportation.

It might be advisable to announce your plan to establish this expert group to study and evaluate the Nation's transportation needs and problems as another Executive action to identify and deal with problems such as those identified by the Cherington Report.

4. We recommend that a thorough study of the regulatory process with specific reference to the roles of the several regulatory agencies in transportation, should be undertaken. Because of the quasi-legislative aspect of the regulatory agencies, there might be advantage in establishing for this purpose a Presidential Commission with Congressional membership, similar to the Kestnbaum Commission on Inter-Governmental Relations. This should be fully worked out before any announcement is made.

5. We agree with General Quesada that it would be helpful and appropriate for you to direct the Secretary of Defense to survey the problem concerning the Military Air Transport Service, identified in the Cherington Report.

If you approve these recommendations this Committee is ready to assist the Director of the Bureau of the Budget and General Quesada in developing appropriate implementing actions.

/S/

Nelson A. Rockefeller
Chairman

THE WHITE HOUSE
WASHINGTON

July 3, 1958

The President
The White House
Washington, D.C.

Dear Mr. President:

I have the honor to transmit a report concerning the Status and Economic Significance of the Airline Equipment Investment Program. This report was prepared at my request by Dr. Paul W. Cherington, Professor of Business Administration, Graduate School of Business Administration, Harvard University, who is a nationally recognized authority in the field of transportation. The report is designed to set forth an objective analysis of the impact of the airline investment program on the overall national economy. This program represents a major transition of our domestic trunklines and international carriers from piston to jet aircraft. Relative to the national economy, this program is significant. It calls for a net investment of $2.8 billion by 1962 in aircraft and facilities. The report concludes that:

1. The equipment program is not unreasonably large or unnecessarily accelerated, provided the carriers vigorously develop new travel markets.

2. Several of the carriers may have difficulty in making the necessary financing arrangements to buy needed equipment. Of $1.4 billion which the carriers must raise from private sources, arrangements for $750 million are still to be made.

3. Failure of the carriers to succeed in financing any major portion of the equipment program will pose serious problems:

   (1) for the airlines and the preservation of a sound competitive domestic and international air route system;

(2) for the aircraft and engine manufacturers and their 5,000 vendors who have invested heavily in the jet transport program;

(3) for the national economy

  (a) through loss of some portion of the 120,000 jobs estimated to be directly involved in the program at its peak. In addition, there is a potential loss of indirect employment estimated to be at least a multiple of the direct.

  (b) through the loss of economic stimulus which this large private investment program would provide;

(4) for the Government

  (a) through a possible return of some airlines to subsidy;

  (b) through pressure on Government (military) to purchase jet transports not delivered to airlines and thereby recover development costs.

The report does not recommend any program of financial assistance to the carriers. It does point out certain steps which might be taken by various Government agencies, within the framework of existing authority, to facilitate the success of the equipment program.

The report also points out that if the carriers are to have an opportunity to finance their equipment program at reasonable cost, the industry must be able to show private lenders and investors a favorable level of earnings. From 1950-1956, airline earnings were relatively good. In 1957, earnings were depressed and in 1958 to date have been still lower. These greatly reduced earnings (losses for many of the carriers) unfortunately occur at the most crucial stage of the financing for the equipment program. The only apparent way in which a reasonable earnings level can be achieved in time to attract adequate financing appears to be through:

1. Elimination or reduction of certain fare discounts now in effect.

2. Increased promotion of air travel during off-peak periods through reduced fares.

3. Increased fares for certain classes of air service.

4. Continued aggressive action on the part of management to improve their operating efficiency.

The report suggests that, while the initiative for developing specific fare changes should be left to the carriers, the Civil Aeronautics Board must examine the carriers' proposals promptly, with full realization of the broad implications of the present equipment program. In this connection the report points out that, since 1949, the carriers have had two small fare increases, the most recent one being in February 1958. Despite these increases, the real cost of domestic air travel (adjusted for changes in the value of the dollar) has declined by 9 percent during this period. A pending CAB proceeding relating to domestic passenger fare levels is not due for decision until March 1959. By that time, the success or failure of major segments of the equipment program may well have been determined.

As indicated, the report confines itself to the present status and economic consequences with respect to the airline equipment program. It makes no recommendations for fundamental changes in the way in which we regulate and foster the economics of air transportation. However, the basic seriousness of the situation described by the report highlights implications of longer range importance, indicating the need for further studies of the economic and regulatory aspects of air transportation.

There is, however, a similar need for studies in the case of other transportation media and the regulatory agencies concerned. The basic problems of the aviation industry are intertwined with similar problems with respect to other forms of transportation.

I understand that your Advisory Committee on Government Organization and the Director of the Bureau of the Budget have discussed with you the need to bring together a group of general transportation experts capable of evaluating the Nation's transportation needs and problems. I would urge that this be done as soon as possible and that the further studies needed with respect to aviation be undertaken as part of this broader, overall evaluation.

I recommend, therefore, that this report be transmitted to the Congress for its information and also be directed to the attention of those agencies of Government having action responsibility within the framework of existing authority. I also recommend that this report be made public.

Respectfully yours,

E R Quesada

E. R. Quesada

Enclosure

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 58-83

July 2, 1958

The White House

Washington

THE CABINET

The Status and Economic Significance of the Airline Equipment and Investment Program

For consideration by the Cabinet, attached is a copy of a Report which has been prepared at the direction of the Special Assistant to the President for Aviation Matters, in cooperation with other interested agencies.

A summary of the problems dealt with in this document and of the conclusions of the Report appears on pages i-iv preceding the full text. The visual oral presentation which will be made at the Cabinet meeting of July 7 also constitutes a summary of the Report's findings and conclusions

At the coming Cabinet meeting, Mr. Quesada will present for initial Cabinet consideration the various courses of action which the President and the Administration might now take with respect to the Report's findings, as well as the question of the publication of the document itself.

Pending the President's decision, the Report is PRIVILEGED, and is being given LIMITED distribution. Care should be taken by each recipient to protect its privileged status.

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Consideration

THE STATUS AND ECONOMIC SIGNIFICANCE OF THE AIRLINE EQUIPMENT INVESTMENT PROGRAM

June 30, 1958

A Report by Dr. Paul W. Cherington, Professor of Business Administration, Graduate School of Business Administration, Harvard University, prepared for the President's Special Assistant for Aviation.

June 30, 1958

Dear Mr. President:

I have the honor to transmit a report on the Status and Economic Significance of the Airline Equipment Investment Program.

This report has been made possible through the cooperation of many individuals in the Departments of Commerce and Defense, the Civil Aeronautics Board, the Bureau of the Budget, the President's Committee on Government Organization, and the airline and aircraft manufacturing industries. Their cooperation should not, however, be interpreted as meaning that they necessarily endorse the conclusions of the report.

Respectfully,

E. R. QUESADA

The President

The White House

THE STATUS AND ECONOMIC SIGNIFICANCE OF THE AIRLINE EQUIPMENT INVESTMENT PROGRAM

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SUMMARY

I. The Problem:

A. The airlines have embarked on a capital expenditure program which will entail an outlay of $2.8 billion for equipment and facilities over the next five years, and directly involve from 100,000 to 125,000 jobs annually.

B. The ability of the airlines to carry through this program is of great concern to:

1. The airlines themselves and the preservation of a sound competitive air route system;
2. The aircraft, engine, and related manufacturers who have invested heavily in the transport program and who will suffer serious financial losses if the airlines' present and contemplated purchases are not consummated;
3. The economy as a whole which stands to lose both private investment and employment; and,
4. The Government which has a direct stake in the maintenance of healthy economic conditions in the airline industry, in the aircraft industry which produces vital weapons, and in the economy generally.

C. As a result of recent declines in the rate of traffic growth and a substantial deterioration in earnings, investor confidence in air carriers has been reduced to the point where many airlines are encountering considerable difficulties in securing the necessary financing. It is doubtful that a number of domestic carriers, presently accounting for about 28 percent of the industry traffic volume, will be able to complete necessary financing under anything approaching normal credit conditions. Some cutbacks in orders and contemplated purchases of new aircraft have already occurred.

D. There is also some doubt that the carriers, even if they do arrange the necessary financing, will be able to utilize economically the equipment which they have ordered, without extensive new marketing efforts.

II. Conclusions:

A. There are several corrective measures which are within the power of the carriers and various Government agencies to accomplish. These are:

1. Passenger fare adjustments which are immediately necessary to provide improvement in earnings levels and restore the confidence of investors in the airlines' earning capacity;

2. Direct action by the carriers to study and apply the measures necessary to broaden the traffic base and regain the growth rates experienced during the last decade;

3. Closer coordination between the carriers, airport and municipal officials, and the Civil Aeronautics Administration in the planning and installation of ground facilities and equipment which are tailored to the requirements of economic and operationally feasible jet services;

4. Studies by the Civil Aeronautics Board or by the Under Secretary of Commerce for Transportation, to be transmitted formally to the Board, as to the effect of recently certified competition on airline service and costs and as to the appropriateness of the present route pattern for jet operation.

5. Studies by the Air Coordinating Committee or the Operations Coordinating Board on ways in which the sale of older U.S. commercial aircraft abroad might be facilitated in appropriate cases.

6. In the event that the question of excise tax policy is reopened, further consideration by the Secretary of the Treasury of the favorable effect on the carriers of repeal or reduction in transportation excise taxes.

THE STATUS AND ECONOMIC SIGNIFICANCE OF THE AIRLINE EQUIPMENT INVESTMENT PROGRAM

I. The Problem:

A. The airlines are engaged in a major investment program for new jet aircraft and related facilities. Total planned airline capital expenditures in conjunction with this program are estimated at $2.8 billion over the next five years.

B. The airline investment program is of direct concern to the airlines, and to several aircraft and engine manufacturers and their suppliers, numbering some 5,000 concerns. In addition, it is important to the economy as a major private investment program. It is estimated that the program directly involves an average of 100,000 to 125,000 net additional jobs annually in the economy and indirectly still more.

C. Recently, doubts have been raised as to whether the carriers will be able to carry through this program successfully. It has been charged that the program is unrealistically large. Conversely, the carriers charge that the Civil Aeronautics Board, through failure to act on requests for higher fares and through the creation of excessive competition, is undermining the economic soundness of the industry and investor confidence which is needed to finance the industry's capital program.

D. The airline industry has long been the object of Government assistance and regulation, in conjunction with stated national policy to develop a sound air transport system for defense, postal and commercial needs. The aircraft industry has also been heavily dependent on Government business and constitutes for the Government a major source of weapons. Thus, the success or failure of the present investment program is inevitably of concern to the Government. These factors, together with the benefits which the successful completion of the program, or at least major segments thereof, would give to the economy at the present time, pose two questions:

1. What is the present airline situation and what are the prospects that their proposed investment program can be successfully put into effect?

2. Is there any action which might appropriately be taken by the Government to facilitate the successful completion of the investment program?

NOTE: This report largely focuses on the domestic trunkline and U.S.-Flag international and overseas operations. The 14 carriers which conduct these operations are listed below. 1/ These carriers account for about 95 percent of the commercial revenues of the U.S. airline industry. Other segments of the industry, such as local service lines, cargo carriers, supplemental carriers, etc., tend to have somewhat more specialized problems.

1/ American, Braniff, Capital, Continental, Delta, Eastern, National Northeast, Trans-World, Northwest, United, Western, Pan American and Panagra.

II. Background and Economic Setting:

A. The Growth of Airline Traffic in the Past Decade

1. Over the past 10 years the major U. S. air carriers have carried increasing amounts of mail and cargo traffic, but passenger business has been and continues to be the predominant source of operating revenues. Passenger revenues in 1957 amounted to $1.3 billion domestically, and $378 million abroad, accounting for 90 percent of all revenues of the domestic trunkline and over 75 percent of the revenues of international and overseas carriers.

2. Passenger traffic on domestic trunkline has has increased fourfold from 6 billion passenger miles in 1948 to 25 billion in 1957. Over the same period, passenger traffic on international and overseas routes increased threefold from 1.9 billion to 5.8 billion passenger miles.

3. In terms of passenger miles, the domestic airlines are now the largest common carriers of intercity passenger traffic. In 1957, nearly 35 percent of common carrier intercity passenger travel was by air.

4. The growth in traffic and revenues since 1948 partly reflects an expanding volume of coach service which now accounts for 39 percent of the domestic passenger traffic and 65 percent of the international and overseas air travel on U.S. carriers.

5. Despite the impressive revenue and traffic growth the airline "market" remains

limited in terms of the number of individuals who travel. Estimates of the number of different domestic passengers who travel in any one year range from three million to six million persons. It is generally agreed that penetration is limited and that "repeat" travelers account for the bulk of air travel.

5. Airline passenger travel continued to grow in 1957 at the rate of 13.2 percent for domestic trunklines and 12.5 percent for foreign and overseas air carriers. But the rate of traffic growth has declined gradually since late 1955. It fell off more rapidly in the fourth quarter of 1957, and in February, March and April, 1958, traffic was at or below the 1957 levels.

B. Fares and Yields.

1. Only two general increases in domestic passenger fares have occurred since 1949. In 1952, $1 was added to the price of each ticket and in February 1958, fares were increased by 4 percent plus $1 a ticket, for an overall increase of 6.6 percent. The fare increases over this period added 9 percent to the price of an average ticket. However, in terms of constant dollars, adjusted for interim price level changes, the real cost of the average ticket actually declined by 9 percent. In contrast to the relatively moderate 9 percent increase in the price of air transportation, other transportation costs have risen much more substantially. For example, the cost of automobile ownership and operation rose over 19 percent in actual dollars between 1949 and the end of 1957.

2. Because of the availability of family plan discounts and the growth of coach service (at an average cost to the passenger, less tax, of 4.3 cents per mile), the domestic airlines have been realizing a progressively lower yield from each passenger mile transported. Average revenues received by the trunklines declined from 5.75 cents per passenger mile in 1948 to 5.25 cents in 1957.

3. Internationally, there have been several general increases in the levels of first-class passenger fares, the most recent being an increase averaging 8 percent in the North Atlantic area which became effective April 1, 1958. Transatlantic fares, as exemplified by the first-class New York-London fare, have risen 24 percent. First-class Transpacific fares have been held constant in some cases, and have risen in others. But, while the increases were being put into effect, the international and overseas carriers have introduced and expanded a variety of coach, tourist economy services. For example, there are now available across the North Atlantic the following services and fares, as illustrated by those available between New York and London:

Type	One Way	Round Trip
Deluxe (Sleeper)..........	$ 560	$ 1,023
Deluxe (Sleepererre)......	485	873
First Class	435	783
Tourist...................	315	567
Economy	252	454

4. Passenger yields have declined more sharply for international and overseas carriers than for domestic carriers, due to the more rapid and extensive growth of coach, tourist and

other discount services. From an average of 8.0 cents a passenger mile in 1948, yields declined 17.5 percent to 6.6 cents a passenger mile in 1957.

C. Costs and Profits.

1. While the prices of things that the airlines buy and the wages of their employees have steadily increased over the past years, new aircraft which they have brought into operation have been more efficient. The use of more efficient equipment, coupled with commendable cost controls and the growth of the cheaper coach services, enabled the domestic trunklines to reduce the cost of providing a ton mile of lift from 30.3 cents in 1948 to 26.0 cents in 1955. However, costs have since inched upward to 26.5 cents an available ton mile in 1956, and further to 26.8 cents in 1957.

2. There is a notable difference in the cost experience of the four largest trunklines (Big 4) as compared with the experience of other trunklines. Available ton mile costs of the Big 4 carriers have increased consistently from 1955, but the costs of the other trunkline carriers declined in 1957 after increasing from 1955 to 1956.

3. Available ton mile costs of international and overseas air carriers have been steadily decreasing since 1951, when such costs averaged 44.4 cents, to an average of 35.6 cents an available ton mile in 1957.

4. The link between capacity costs and costs per unit of revenue (cost per available ton mile vs. cost per revenue ton mile) is the load factor -- the extent to which capacity (available ton miles of lift or available seat

miles) is utilized. Since mid-1956, there has been a steady decline in domestic load factors which has continued through the first quarter of 1958. Whereas load factors averaged nearly 65 percent for the fiscal year 1956, in 1957 there were only 61.5 percent. Declining load factors, superimposed on increasing capacity costs, have materially increased the costs involved in handling traffic. Thus, in 1957, the cost per revenue ton mile was 50.8 cents as compared with 48.1 cents in 1956, and 46.8 cents in 1955.

5. From 1950 through 1955, airlines reported net profits were relatively favorable. As a percentage of return on investment, they averaged in excess of 11 percent. As a percentage of gross revenues, they averaged better than 5.5 percent. In 1956, net profits declined only moderately, due to a substantial increase in capital gains from sale of equipment which practically offset a decline in operating income. In 1957, however, net profit declined by over 50 percent to $26 million, despite the offset of even larger capital gains. Net profits in 1957 amounted to 4.8 percent return on investment and a 1.9 percent margin on sales. During the first quarter of 1958, the decline in net profits continued at a rate which, if it persists, will eliminate all profits by year-end 1958.

6. In contrast to the unfavorable trends of costs and profits which mark the recent experience of the domestic trunklines, the situation for the international and overseas carriers has been generally less disturbing. Costs per available ton mile have declined annually from 1951 through 1957. Load factors have been improviding, the ton mile load factor of 66 percent for 1957 being the highest annual load

factor in a decade. The combination of declining capacity costs and improving load factors has resulted in a relatively pronounced reduction in costs per revenue ton mile from 71 cents in 1951 to 57 cents in 1957. Through 1956, cost reductions have more than offset the decline in revenue yields, resulting in relatively stable profit margins averaging about 7.5 percent on invested capital and 4 percent on gross revenues. In 1957 some decline in profitability is evident. Net operating income dropped from $33 million in 1956 to $27 million in 1957, and net profit declined moderately from approximately $21 million to $19 million.

7. All segments of the industry have repeatedly complained that profits and profit margins have been inadequate. The Civil Aeronautics Board for a number of years has held that an 8 percent return on investment was a reasonable profit for domestic carriers and 10 percent for international carriers due to the special financial risks involved in operating abroad. More recently, the staff of the Board has proposed that a return of 8.9 percent for the four largest trunklines (Big 4) and 9.5 percent for the other trunklines be used for determining the reasonableness of profits. The carriers have taken the position that the staff proposal is insufficient and some have attacked the rate of return as a measure of profit reasonableness on the grounds that appropriate consideration is not given in this measure to the risks of repeated exposures of a narrow investment base to depletion from operating losses. It is contended that this risk is quite substantial in the airline industry which is subject to erratic fluctuations in earnings.

8. Notwithstanding what constitutes an appropriate yardstick and how it should be implemented, all parties seem to agree that the earnings of the domestic trunkline carriers in 1957 and the first quarter of 1958 were inadequate. The reported profits of international and overseas air carriers have been consistently below the standard which has been applied by the Board.

9. It should be emphasized that for the most part the foregoing figures are those reported by the carriers and do not reflect adjustments or disallowances in costs which the Board or its staff feel appropriate for ratemaking purposes. In some cases such adjustment and disallowances are substantial. They are, of course, contested by the carriers.

10. In the spring of 1956, the Board initiated a General Passenger Fare Investigation to determine a reasonable level of domestic airline fares. This investigation is still in progress, after suspensions during the summer of 1957 and the spring of 1958. It is now estimated that it will be completed the first half of 1959.

D. Competition.

1. Since 1955 the Board, in a series of route cases, has substantially increased the amount of competition between airlines by awarding new competitive routes.

2. In making these awards, the Board has indicated an expressed policy of attempting to strengthen the medium sized carriers vis-a-vis the Big 4, although extensive route grants have been made to the Big 4 as well.

3. In the new route grants made over the past two and a half years, a major change has been effected in the scope of competition among domestic air carriers. Before 1955, nearly 60 percent, or 228 of the 400 most important air travel markets (city pairs) which account for the great bulk of operating revenues, were non-competitive. Today, competitive service has been authorized in 348 (87 percent) of these markets. Prior to 1955, only 38 of the top 400 markets had authorized service from three or more competing carriers. Today, there are 115 markets, or three times as many, with three or more authorized carriers. Moreover, 12 of these, in contrast to one before 1955, have five or more competitive services. The net result of the additional competition which has been authorized is an increase in the average number of carriers per market from about 1.5 before the recent round of route grants to 2.2 today. And, this average is likely to be increased further when decisions are reached in major route cases now pending before the Board.

4. Competition has been expanded most extensively in the 50 heaviest traveled markets which alone account for about 40 percent of total revenues. In these markets the average number of carriers per market has been increased from 2.0 to 3.0. But it has also been extended almost proportionately throughout the lighter travel segments. Before 1955, segments ranking from 51 to 400 in traffic volume averaged about 1.5 carriers per segment. Now, such segments average more than 2.0 carriers per segment, an overall increase of about 40 percent in competitive services which extends to even the lightest

traffic segments.

5. The extension of competition through new grants to medium-sized trunkline carriers appears to have arrested and reversed a trend to increasing percentage participation of the Big 4 carriers in the domestic passenger markets. However, in several instances, the heavy cost of breaking into these markets has meant that newly certified carriers have experienced substantial losses in their initial operations over the new routes. The increased competition which is, in part, designed to provide the medium-sized carriers with access to greater traffic densities in order to permit them to utilize larger, more efficient aircraft, by the same token imposes on these carriers the need to re-equip themselves with the most modern aircraft in order to compete effectively with their larger competitors.

6. International operations of US. carriers have also become more competitive due, in part, to some expansion of the area of competition among U.S. carriers, such as the recent extension of TWA's routes to Manila, thereby enabling T WA and Northwest to provide a second U.S. round-the-world service. Mainly, however, additional competition has been the result of the increasing activities of foreign air carriers operating between the U.S. and points abroad pursuant to bilateral agreements. The number of foreign air carriers operating to and from the U.S. has increased from 22 to 39 since 1949. During this period, U.S. carrier participation in the international market declined from 75 percent to about 62 percent, although the absolute volume of traffic handled by our international carriers increased. Certain of the recently certificated foreign routes

provide at least indirect competition to our domestic trunklines.

E. Equipment.

1. In response to traffic growth and competition, the carriers have steadily expanded the capacity of their aircraft fleets over the last ten years. The addition of capacity was fairly gradual during the early 1950's when most carriers were restricted in their operations by equipment shortages. Heavy deliveries of equipment, particularly four-engine equipment since 1954 have added extensively to airline fleet capacity. Orders outstanding for late-model piston aircraft contemplate the delivery of 58 additional units in 1958, after which production of piston transports will presumably come to a halt.

2. Purchases of new aircraft over the past ten years have increased the size of the combined domestic and international air fleets from 954 units at the end of 1947, of which 44 percent were 4-engine aircraft, to 1,803 units at February 1958, of which 62 percent were 4-engine aircraft.

3. In 1955, several manufacturers announced that they were about to embark on the development and construction of turbo-prop and turbo-jet aircraft. All the trunklines and international air carriers have now placed, or plan to place, orders for turbine equipment, reflecting the impossibility of operating competitively inferior aircraft.

4. At the present time (June 1958) announced turbine aircraft on order by year of expected delivery for the twelve trunklines, plus Pan American and Panagra, are as follows:

Type	1958	1959	1960	1961	TOTAL
Boeing 707, etc	5	66	35	--	106
DC-8	--	13	72	14	99
CV-880	--	--	43	6	49
Electra	14	76	26	--	116
Viscount	15	--	--	--	15
Britannia*	5	--	--	--	5
TOTAL	39	115	176	20	390

*Cancellation of these aircraft was announced mid-June, 1958

5. These trunklines and U.S.-Flag international orders are a substantial portion of the total commercial order backlog of five U.S. aircraft manufacturers as indicated by the following:

Company	Total Orders	Trunkline & U.S-Flag International Orders No.	% of Total
Boeing	164	106	65
Convair	57	49	86
Douglas	140	99	71
Fairchild	49	--	0
Lockheed	143	116	81
TOTAL	553	370	67

6. In addition to aircraft on firm order, several carriers have options to purchase additional aircraft and some carriers which have not yet placed firm orders expect to do so. Still other carriers which have already placed orders for some of their equipment needs have indicated that more orders will be placed when a decision is reached on which aircraft to buy. It is estimated that additional orders from these sources might add in excess of 150 aircraft to the number on firm order

7. The straight jets will range in cost from $4 million to over $6 million each. The turboprops will cost between $2-3 million.

8. The total estimated costs of new aircraft on firm order and contemplated to be ordered by the trunklines, including some piston aircraft to be delivered in 1958, is $1.9 billion. Nearly 80 percent of these costs are associated with aircraft to be delivered in the next three years.

9. In addition, Pan American and Panagra plan to spend $293 million on new aircraft before 1961, bringing the total estimated expenditure for domestic and international carriers to $2.2 billion over the next 5 years and $1.8 billion over the next three years.

F. Capacity and Traffic Forecasts.

1. A feature of the new equipment is its greatly increased capacity and productivity when compared with piston equipment. In most cases, the new aircraft will have substantially increased seating capacity and, of course, they will fly faster. Thus, the transportation which they will generate per hour, day or year, is increased. For example: the DC-8 will produce about three times as many seat miles per day as the DC-7.

2. It is estimated that the new jet equipment either now on order or to be ordered and delivered by 1962 will have (assuming 8 hours utilization) a productivity of close to 61 billion seat miles a year. In addition, there will be delivered, in 1958, piston aircraft with a capacity of nearly 4 billion seat miles a year, for a grand total of 65 billion seat miles for trunkline and international operations.

3. In 1957, the trunklines generated 40 billion seat miles, and the international operators 9 billion, for a total of 49 billion.

4. The capacity of the on-order aircraft is then considerably in excess of that now available. Taking into account capacity added late in 1957, which is not fully reflected in the 1957 seat mile figures and, ignoring for the moment equipment retirement and attrition, these carriers have in sight capacity for approximately 119 billion seat miles by 1962.

5. Of course, extensive retirements can be expected. Some carriers plan to retire all or virtually all of their present piston equipment. Others, however, plan to retain a portion of their piston fleet. On the basis of present plans, it appears that something in the range of one-third to one-half of present piston capacity will be retained through 1962. This would indicate a 1962 total industry capacity of 83-92 billion seat miles.

6. At the 1956 load factor levels of 64 percent, passenger traffic would have to aggregate 53 to 60 billion passenger miles (in contrast to 30 billion in 1957) to utilize 1962 fleet capacity. This would require a rate of growth of from 11 percent to 13 percent per year from 1957 traffic levels.

7. Traffic forecasts, of course, vary widely. The most recent CAA forecast for 1962 is 40 billion passenger miles for domestic traffic and 9 billion passenger miles for international traffic, for a total of 49 billion passenger miles and a growth rate of approximately 10 percent per year. This growth rate is below the 1952-1957 experience but above the most recent experience of zero growth. The concensus of several other forecasts of traffic for 1962, increased to reflect international traffic of 9 billion passenger miles, also indicates a level of traffic at 49 billion passenger miles.

8. With the largest part of the deliveries of aircraft scheduled to occur in the next three years at a rate faster than the traffic buildup, there appears to be little doubt that a temporary surplus of capacity will develop. However, by 1962, surplus capacity could be absorbed if the expected lower operating costs of the new equipments permit profitable operations at lower utilization rates or lower load factors, or a combination of the two. It also is possible that the retirements of piston aircraft can be accelerated and increased, reducing the available capacity.

9. It is clear, in any event, that substantial traffic growth is necessary if the equipment to be acquired is to be justified and profitably operated.

G. Financing.

1. In addition to their investment in new equipment which they have ordered, the airlines must have additional amounts of money available for ground equipment and facilities, for increased working capital, for debt retirement and the like. It is estimated that the total amount of funds which the trunkline and international carriers will be required to have

available between now and 1962 is $4.0 billion. This is over and above the amount of $200 million invested by others for the use of the carriers in such things as hangers, terminal facilities, and the like.

2. Of the total funds which the carriers need, $1.4 billion is estimated to become available from depreciation, leaving a balance of $2.6 billion to be met out of:

   a. Sales of existing equipment;

   b. Profits, less dividends;

   c. Miscellaneous sources, such as deferred taxes; and,

   d. New funds to be borrowed or raised through the sale of equity.

3. Proceeds from the sale of equipment have been estimated at $300 million, or somewhat in excess of book balue at time of sale. This estimate reflects a 20 percent per year decline in aircraft prices as excess aircraft are marketed. At book value (residual value in most cases), the realization would be $162 million.

4. If the carriers make profits at a rate of return of 9 percent on invested capital, 5-year earnings, after payments of cash dividends at the 1956 annual rates, will amount to $500 million.

5. Under above estimates of depreciation, proceeds from equipment sales, and earnings, the new capital requirements for the industry amount to $1.4 billion for the 1958-62 period.

6. Of this amount, arrangements have been made as of April 1958 for approximately one-half. The remaining $760 million, by year in which required, is as follows:

Year	Financing Required but not Arranged (Millions)
1958	87.4
1959	180.6
1960	312.8
1961	41.5
1962	8.0
Undetermined*	133.3

*Data for Pan American and Panagra did not permit an annual distribution.

7. Under the assumptions made, the amounts required by each carrier, listed in descending order of magnitude, are shown below. Several of the carriers indicate that, if anything, the assumptions are too favorable and that, in fact, their requirements will be larger than the amounts shown.

Carrier	Financing Required but not Arranged (Millions)
TWA	$ 313.3
Pan American	115.3
Northwest	63.5
Capital	53.5
National	47.5
American	31.9
Delta	28.8
Northeast	26.3
Eastern	22.6
Panagra	18.0
Continental	17.8*
Western	17.2
United	8.0
Braniff	--
Total	$ 763.7

*In mid-June 1958, this carrier sold 5 3/4 percent convertible subordinated debentures which yielded it approximately $12 million of the required amount here indicated.

8. The carriers have typically followed a pattern of long-term financing, mainly through loans from insurance companies, supplemented by shorter-term loans from banks to cover requirements not met by the long-term financing. Some equity financing was undertaken in 1956 and early 1957, when conditions in the equity market and carrier earnings were more favorable. None has been undertaken thereafter.

9. In contrast to the Big 4, the medium-sized trunklines have had limited success in arranging long-term loans. Moreover, a recent and as yet unpublished study of the Harvard Business School indicates that, beyond two loans presently under negotiation (covering only a part of the financing needs of the carriers involved), it is doubtful whether under recent earnings conditions any further long-term funds will be available to medium-sized carriers, except in limited amounts, at relatively high interest rates of 6 percent, and under highly restrictive covenants.

10. To the extent that bank loans can be arranged, the insistence of the banks on loans of relative short terms (no longer than 10 years and generally less), will impose onerous repayment requirements on the carriers, if they turn to this type of financing. Additionally, the financing requirements are so large in relation to present capitalization that the debt ratios (already high for most of the carriers) will exceed the limits considered prudent or acceptable by financial institutions. Thus it seems clear that equity financing will be required in most cases as a condition precedent to the granting of bank loans.

11. The equity market is not favorable for the issuance of common stock for most of the medium-sized carriers. The marketing of additional stock

by any carrier whose stock is selling below book would involve a substantial loss in equity on the part of the present stockholders. Until earnings are sufficiently improved to restore the confidence of the equity market in airline securities, it is questionable whether the present stockholders will authorize further issuances of stock.

ARCHIVAL BOND
25% COTTON

III. The Airline Equipment Program, the Aircraft Industry, and the Economy:

A. In addition to the airlines, major segments of the aircraft industry have an important stake in the success of the jet equipment program.

1. Commercial transport orders from all sources, including foreign carriers, held by five airframe manufacturers, total over $2 billion. Engines and accessories for these aircraft, having a value of over $500 million, are also involved.

2. Despite the substantial orders which they have received, none of the manufacturers has as yet sold enough aircraft to cover its break-even point -- the number of aircraft required to pay for development, engineering and tooling expenses.

3. The airframe, engine and accessory manufacturers, have already made extensive investments in designing, engineering, tooling and production facilities. This sum may be roughly estimated at $650 million to date. This figure may be expected to increase materially before deliveries commence.

4. Current employment directly associated with the transport programs of the airframe, engine and accessory manufacturers and of their subcontractors is estimated at 80-90 thousand people. This number should rise to approximately 120 thousand when peak production is reached.

5. It is virtually impossible to estimate the total impact on the economy of the equipment program. Obviously, the investment and employment figures given above, which can be directly identified with the program, should be increased appreciably in order to arrive at an appraisal of the total impact.

IV. Analysis of the Present and Prospective Situation:

A. The foregoing background and economic material indicates that the present economic situation of the airlines is unsatisfactory and is deteriorating. Prospectively, the situation is at least potentially serious for:

1. The airline industry, as a whole, through loss of public and investor confidence.
2. Particular carriers, through inability to carry through on competitive equipment programs.
3. The airframe and engine industries and their suppliers, through order cutbacks, stretchouts, and failure of new orders to materialize.
4. The economy, through loss of private investment and employment.
5. The Government, because of the traditional dependence of both the airline and aircraft industries on Government orders and assistance.

B. In large measure, the present situation is a result of events taking place simultaneously. The recession has cut deeply into traffic growth. Simultaneously, many carriers are inaugurating new services over new competitive routes. Both of these events have depressed load factors and earnings at a time when many of the carriers are attempting to make arrangements for financing their equipment programs, and when virtually all the other carriers must maintain earnings if they are not to be in at least technical default under existing loan agreements. It seems probable that, at current earning levels, several of the carriers which have not yet financed will be unable to carry through their equipment programs. Indeed, although not yet announced, some order cutbacks and cancellations have already taken place. More can be expected if the present situation continues. If the situation deteriorates further, several other companies which have financing will be unable to meet the provisions of their loan agreements as to liquidity.

C. The present and prospective situation has passed the point where it can be dismissed as simply the routine public relations efforts of the industry to arouse public and official interest in the carriers' problems.

D. If the carriers which must still finance are to have any chance of making satisfactory arrangements, and if existing arrangements are to stand, an immediate objective must be a return of the industry, if possible, to a satisfactory level of earnings. This is the immediate problem confronting the industry.

E. Immediate Earnings Prospects: The need for a favorable record of earnings in the near-term as an aid to the carriers in working out and preserving financing plans is perhaps too obvious to require extensive comment. It may be said that when added to all the other uncertainties of reequipment, the current depressed and falling level of airline earnings means that investors either tend to ignore all but the largest and soundest (financially) of the carriers, or to insist on onerous terms and conditions.

1. The Civil Aeronautics Board has taken the perfectly reasonable position that it would tend to look at earnings over a fairly long period of time and would neither insist on reductions in fares, nor permit increases in fares in the face of short-run trends in earnings. Although it is difficult to disagree with this general policy, its application clearly requires a recognition of the financial problems of the carriers during a period of major transition.

2. The facts heretofore presented indicate that certain of the present airline industry trends have been in progress for at least 18 months and perhaps longer. It was presumably in partial recognition of this fact that the CAB, in February 1958, permitted the carriers to increase fare levels by 6.6 percent.

3. Assuming that the CAB is in agreement with the need for a prompt return of the industry to a more favorable level of earnings, it is by no means certain that this could be achieved at the present

time through further fare increases.

4. But further recognition by the Board of the need for improved earnings in addition to the fare relief afforded in February would, at least, have a favorable effect on the investment community.

5. The majority of the carriers appear to favor a flat across-the-board fare increase in the order of 10 to 12 percent as the shortest means of returning them to a more satisfactory earnings position. These carriers hold that the impact which such an increase would have on traffic would be minor. A minority of the carriers apparently do not favor a flat percentage increase but might favor various changes in fare structure which would tend to increase revenues (such as the removal of the round-trip discount). It is not known whether these carriers would "hold out" against a flat 10 to 12 percent increase.

6. Most of the carriers allege that the 6.6 percent increase in early February had no adverse effect on traffic and that the current failure of traffic to grow above 1957 levels can be attributed entirely to the recession and, more recently, to two mid-air collisions. Because a high proportion of first-class air travel is business travel, it seems probable that some increase in first-class fares would leave the carriers in a better revenue (and earnings) position. Furthermore, some increase in day-coach fares would seem to be justified, reflecting the recently improved day-coach service standards.

7. Virtually all the carriers argue that a reduction or repeal of the transportation tax on passengers would assist them in placing into effect higher fares. This subject is discussed further below.

8. It seems probable that in the short-run, a combination of structural and level fare changes offers the best prospect of returning the carriers to a more favorable earnings level. This should not, for reasons discussed below, necessarily set the long-run pattern for fares. The precise method of effecting a short-run increase in revenues should be left up to the carriers.

9. The Board and its staff have taken the position that a major factor in the carriers' current difficulties is the carriers' failure to control load factors, through cut-backs in capacity. In highly competitive situations, complete load factor control by an individual carrier cannot be achieved. On the other hand, there appear to be instances where the carriers have added capacity despite stable or even declining traffic volume. A continuation of this practice would clearly vitiate any benefits to be derived from fare relief.

10. There does not appear to be anything in the General Passenger Fare Investigation which would prevent the Board from recognizing the requirement of the carriers for an immediate improvement in earnings, at least up to the level found reasonable by the Board's Bureau Counsel (8.9 percent and 9.45 percent). Increases or changes in fares could be made temporary pending the completion of that case.

11. Recent earnings of the international carriers, with some exceptions in Latin America, have remained relatively steady. In Latin America there appears to have been a sharp drop in business travel outbound from the United States in recent months. The expected heavy summer international traffic is, of course, vulnerable to political unrest abroad.

F. Economic Feasibility of Equipment Program:

In addition to the need for immediate action to return the industry to a better level of earnings, the material presented in foregoing sections indicates the need to examine the economic feasibility of the industry's present and prospective equipment program.

1. To fill the now on-order and to be ordered capacity will require a substantial expansion and broadening of the air travel market. A growth of 11 to 13 percent per year is needed.

2. Failure to achieve this growth will result in:

   a. Under-utilization of equipment to the point where capacity costs are affected.

   b. Reduced load factors which will raise unit traffic costs.

3. Discussions with the individual carriers revealed that only a small minority had well-developed plans for the development of specific traffic markets. The majority appear to place reliance on the historic growth trends which applied through 1957 and which averaged 13 percent over the past three years.

4. At present, traffic growth has stopped completely. Although the recession must be charged with a major portion of the blame for this stoppage, there are reasons for believing that the carriers may find it difficult to get back on and maintain a 11-13 percent growth pattern. This is certainly the case if the only marketing action which the carriers contemplate is price increases.

5. Domestically, much of the past growth appears to have been diverted from railroads. There is little first-class rail traffic remaining (4-5 billion passenger miles) and much of the remaining rail coach traffic is short-haul (under 100 miles).

6. It appears that new airline traffic will, in part, have to be diverted from automobiles and in part be newly generated travel. Because of the high fixed cost of automobile ownership, auto traffic may well prove hard to divert. Newly generated traffic will require changed personal expenditure patterns which are typically slow in taking place.

7. On the other hand, there are several favorable factors which will tend to boost traffic at least under more normal economic conditions than those which prevail today, such as: the markedly greater speed and comfort of the new aircraft; the growing acceptance of air transport; the growing population and the economy.

8. On balance, it must be concluded that, while the equipment program cannot be described as unreasonable, there is at least room for doubt that the necessary traffic to make the enlarged capacity sound from an economic point of view can be generated. Greater credibility could be given to the carriers' traffic forecasts if they could identify the new classes or types of customers whom they expect to provide the almost doubled volume of traffic. It seems certain that such traffic increases will be forthcoming only with extensive efforts by the carriers in the form of researching new markets and developing programs to serve them. Considerable work and experimentation is called for by the carriers to price their new volume in a realistic manner.

G. Possible Government Action to Assist Traffic Growth:

Discussions with the carriers indicate two areas in which they believe that the Government could assist the airlines in building traffic over the next five years and in the shorter run.

1. Repeal of the Transportation Tax: The carriers argue that if the transportation tax of 10 percent on domestic passenger fares were repealed or reduced, such action would permit them to increase passenger fares up to the level of the reduction, or 10 percent, without forcing the traveler to pay an additional amount for his transportation.

    a. So far as the airlines are concerned, their share of the passenger transportation tax amounted to slightly more than $100 million in Fiscal Year 1958. The total tax on all passengers by all forms of transportation amounted to $230 million.

    b. It would be unrealistic to consider the transportation tax on passengers apart from the tax on property which amounted to $487 million, plus $40 million received for the movement of oil by pipeline.

    c. Furthermore, a repeal or reduction of these excises would almost certainly involve extensive pressure to take similar action with respect to the excises on automobiles, trucks, parts, etc., which amount to approximately $1.5 billion annually.

    d. It is apparent that the problem of the airline passenger transportation excise has fiscal ramifications of much broader significance than the airline problem alone.

    e. Apart from the loss of revenue to the Government, it can be said that repeal in these taxes has considerable merit. The original purpose of the tax was in part to discourage wartime passenger travel. Its repeal or reduction would undoubtedly assist the carriers.

f. In light of the broad fiscal implications of these excises and further, in light of the Administration's recently announced position on all excise taxes, a specific recommendation on the airline passenger tax is inappropriate. Should the policy question be reopened, however, the Secretary of the Treasury might wish to consider the assistance which repeal or reduction would provide to the airlines.

2. MATS Traffic: Several of the international carriers stated that in their view major assistance could be given by the Government to a buildup in airline traffic through a diversion of additional passenger and cargo traffic now carried by MATS to commercial carriers.

a. The question of the proper size and composition of MATS traffic is an extremely complicated one. Essentially, the controversy between the carriers and the Air Force may be described as follows:

(1) The Air Force alleges that MATS is primarily a force-in-being under military control which will be needed, literally at a moment's notice, to deploy our forces overseas under tight security. They argue that in peacetime, this force must be trained to perform its emergency mission and exercised in such a manner that a considerable volume of transport capacity is necessarily created which, in the interest of economy, should be utilized by the Government. No civilian force, the Air Force argues, could perform this mission completely since it would not be under military control and discipline. The Air Force alleges that the rapid growth of MATS over the past few years (approximately a three-fold increase in the 1951-57 period, and a 50 percent increase since Fiscal Year 1954) is a reflection of greater wartime lift

requirements imposed by the Joint Chiefs of Staff in order to meet the war plans. These plans and the planning factors used to compute airlift requirements in support thereof are, of course, classified. The Air Force also points out that, especially in Fiscal Year 1956-57-58, it has given the commercial carriers a considerable and growing volume of the passenger traffic under MATS control. The Air Force further states that the airlines, through the Civil Reserve Air Fleet (CRAF) will be useful primarily in providing lift in the period after D plus 48 hours.

(2) The carriers allege that they have a considerable quantity of "ready" lift available for immediate emergency use. They point out that much of the MATS fleet will be widely dispersed throughout the world at any particular time, and hence will not be "ready". They further allege that their crews will be willing and able to operate wartime emergency missions. They also argue that if MATS is, in fact, conducting a training operation, with peacetime transportation capacity simply a by-product, there are cheaper and more effective ways of conducting such training. The carriers desire additional Government passenger and cargo traffic, some to be assigned to regular commercial flights and some to charter flights.

(3) It is impossible to appraise the merits of these conflicting contentions without extensive analysis of classified material.

b. This issue is now being fought out between the carriers and the Air Force in the halls of Congress.

c. Even the carriers would probably be unwilling to see action taken which would jeopardize the readiness capability of the Air Force. On the other hand, denied the opportunity to examine the classifed basis for the Air Force contentions and suspicious of the validity of those contentions, they are seeking relief from what they regard as a large and growing Government airline, through legislative access.

d. It would appear that the Air Force unjustifiably discounts the national defense potential for immediate readiness of the airline industry, because it is not under direct military control.

e. This is a controversy which, it would appear, should be resolved, if at all possible, at the level of the Department of Defense.

H. Financing Feasibility:

1. Without identifying the carriers, it can be stated that three trunkline carriers almost certainly cannot now finance, to the extent that their current programs require, under normal credit conditions. These three carriers comprise about 20 percent of the domestic industry.

2. Some concern must also be expressed as to the ability of two other trunklines to finance to the extent that their announced programs would dictate. These carriers comprise another 8 percent of the domestic industry.

3. Thus, some 28 percent of the domestic industry must be described as in a precarious position so far as new financing is concerned.

4. Only three, or perhaps four, carriers can be said to have substantially completed their financing arrangements.

5. The remaining trunklines (3-4) and the international carriers should be able to make satisfactory arrangements to finance, although for some of these, the cost in terms of interest rates and conditions will be heavy. One carrier in this category which is currently in the market is experiencing great difficulty in borrowing long-term money at a rate below 6 percent.

6. As already indicated, a prolonged depression in airline earnings would undoubtedly mean that certain of the carriers which have already financed or seem able to do so would not be able to draw down the full amounts of their loans.

7. One of the major difficulties which the carriers face in financing is the fact that in the present market, it is either impossible or at least extremely costly to raise equity money. Although the carriers may be criticized for not having foreseen the need for new equity money and arranged for it during the favorable markets of 1955-1956, such criticism does not assist in a solution to the present problem. Again, a return of the industry to a more satisfactory level of earnings promises to be the only way in which some of the airlines can expect to raise new equity funds over the next few years.

8. Of the total amount of additional funds which must be raised in order to finance the equipment program ($760 million), approximately $500 million is required by the carriers concerning which there is at least doubt as to their financing capability. *

9. Failure to raise all or a major portion of these funds would presumably result in:

   a. Order cancellations or cutbacks, having a serious impact on certain of the manufacturers.

   b. Impairment of the competitive ability of those

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*These requirement figures are as of April 1958.

carriers forced to cancel or cutback, thereby seriously upsetting the attempts of the CAB over the past few years to create opportunities for greater competitive parity among carriers.

I. Government Action to Assist Financing:

In view of the difficulties which are apt to confront major segments of the industry in financing their equipment, the question arises as to whether there is any action which the Government can appropriately take to facilitate such financing.

1. Guaranteed Loans: There was passed by the current session of Congress and signed into law, an Act which permits the Government to guarantee up to 90 percent of the value of private loans to local service and territorial carriers for the purchase of equipment - both new and used. The maximum loan under this law is $5 million. Somewhat similar assistance has been proposed for the railroad industry. One way of assisting the larger carriers would be to amend this Act to extend its provisions to trunklines and U.S.-Flag international carriers. To be of any material assistance to such carriers, an upper limit well in excess of $5 million would also be required. To a major degree such an extension would, in essence, constitute a form of direct, albeit contingent, subsidy to these carriers. Until the carriers have been given a reasonable opportunity to return to an improved level of earnings and until they have exhausted every avenue of conventional private financing, it is not believed that the Guaranteed Loan Act should be extended to the trunkline and international carriers. This conclusion however, should be reexamined at the end of 1958 in the light of experience on the financing problem accrued in the next six months.

2. Guaranteed Loans to Local Service Carriers for Second-Hand Equipment Purchases: Certain of the trunklines appear to be under the misapprehension that Guaranteed Loan Act precludes, or is being administered to preclude, the purchase by local service carriers of

of second-hand equipment released by the trunklines. They argue that, in part, their financing problem is directly related to their ability to dispose of older aircraft at favorable prices, including to local service carriers. In fact, the Act permits, and in appropriate circumstances the Board's staff will approve, loan guarantees for second-hand aircraft. Indeed, at least one loan of this sort is now pending. Presumably the Board will realistically administer the provisions of the Act in connection with second-hand aircraft so as to facilitate the movement of aircraft, in appropriate cases, from trunkline service to local service.

3. Loans and Assistance for the Export of Second-Hand Aircraft: A considerable market for second-hand aircraft, expecially of the smaller type, appears to exist abroad. This is particularly true of relatively underdeveloped countries which do not have operations justifying and which could not afford new turbine aircraft. Any financing assistance which Federal Government or international agencies could furnish to such countries or their carriers would serve a dual purpose. In the first instance, it would provide assistance to our carriers in the disposal program. More important, it would get appropriate American aircraft operating on the routes of these countries, in lieu of the aircraft of unfriendly nations. It is understood, however, that the agencies such as the Export-Import Bank and the Development Loan Fund are extremely reluctant to make loans to foreign countries for the purchase of second-hand aircraft. It is believed that either the Air Coordinating Committee or the Operations Coordination Board would be appropriate avenues by which policies involved in this problem might be raised and examined in greater detail with the agencies concerned. Presumably the Department of State should assume coordinating responsibility for action to be taken.

4. Depreciation: Until very recently, the carriers followed varying policies with respect to depreciation on their equipment. While most carriers adhere to a depreciation policy on aircraft of a 7-year life and a 10 percent residual, certain of them used, for CAB and public reporting purposes, a shorter life. Because of the relative scarcity of airline equipment down to 1957, aircraft which were sold second-hand by the carriers yield a return to the carriers well above the book value. This resulted in substantial capital gains for the carriers. In the face of the probability that piston aircraft would rapidly lose public acceptance after the jets were introduced into service and in view of the probability that prices of second-hand aircraft would drop sharply, several of the carriers applied a shorter life to piston aircraft delievered in the last few years. In 1956, the CAB proposed a rule which would have made mandatory, for reporting and rate purposes, a life of 7 years and 15 percent residual for all piston aircraft, except where a waiver was requested and granted. The carriers took exception both to the rate, at least as applied to late piston aircraft, but more particularly to the concept that the Board had authority to prescribe depreciation policy for the carriers, an area which the carriers felt was a matter for management judgment. This latter issue was appealed to the courts. On June 20, 1958, the U. S. Court of Appeals held that the Board was without power, unless specifically provided by the Congress, to prescribe depreciation rates and charges, except in connection with rate-making cases. Apart from the jurisdictional question, the carriers argued that to increase the life for depreciation on the piston aircraft now being delivered is not only unrealistic in the light of the used aircraft market, but will deprive them of cash throw-off in the next few years and will subject them to the possibility of capital losses should it be necessary to retire these aircraft on a declining second-hand market prior to the expiration of the 7-year period. That the market for used

aircraft, particularly large four-engine aircraft, has deteriorated is clear. In light of these facts, the CAB will presumably reexamine, in conjunction with its general passenger fare investigation, its required life of 7 years and 15 percent residual, with respect to recently delivered piston aircraft.

J. Other Cost and Financial Problems.

A number of other problems that promise to be troublesome over the next few years have been raised for consideration during the course of this survey. These may be briefly summarized as follows:

1. Airport and Ground Facility Expenses: Although the carriers themselves are confronted with a substantial investment program in the transition to jet aircraft, still further funds will be invested in ground facilities by local governments, airport authorities and the like. These agencies will be dependent on, and undoubtedly will insist on, higher rentals and user charges in order to make these facilities self-liquidating. In a few instances, the carriers indicate they believe some ground facilities are being planned and built that exceed actual needs. They desire to be consulted by both Federal and local officials on realistic airline requirements. In any event, the carriers point out that in this area, their expenses are apt to increase sharply in the next few years, both absolutely and as a proportion of total revenues. They urge that full recognition must be given to this problem when the matter of fares is being considered.

2. Ground Problems Associated with Jet Aircraft Operation: Some of the carriers expressed concern that there was a lack of adequate coordination and cooperation among individual carriers and between carriers and airport and municipal officials on a variety of problems that seemed certain to be associated with the ground operations of jet aircraft. Such problems ranged from the

noise problem to the joint-use of expensive ground handling equipment. This problem is one which should be left to carrier initiative.

3. User Charges: Virtually all of the carriers pointed out the high cost to them of the proposal to have charges for the use of air navigation, traffic control, and landing aids, based on a gradually increasing gas tax. The proposal calls for a step-up in the present 2 cents a gallon tax to 6 1/2 cents in 1962. Assuming that jet fuel is taxable, one estimate of the cost to the domestic carriers is $167 million a year. This compares with a total cost of $24.8 million in 1957. The principle of user charges is a correct one. Its application, however, is beyond the scope of the present study because an appraisal of actual rates is highly complex. Presumably the Department of Commerce and other agencies will carefully consider the impact of such charges on the carriers. Presumably also, the CAB will permit the carriers to reflect in their fares the net additional cost of these charges, after off-setting savings derived from the improved air navigation and traffic control system now under development.

K. Routes and Competition.

1. The Civil Aeronautics Act charges the Board, among other things, with both the development of air transportation and the creation of sound economic conditions within the industry. Often these objectives are conflicting since the services which the travelers and communities desire are not always economically justified. The problem of establishing a route structure which will achieve both objectives is a difficult one and is complicated by the fact that the Board, under the Act, has no effective control over scheduling of services. Such limited powers as the Board has in this area derive from its authority to require "adequacy" of services under standards which are, however, dimly defined. The current policy of

the Board, as it appears from a line of cases over the past three and one-half years, has the apparent objectives of strengthening the medium-sized carriers by providing them with access to the more important travel markets through paralleling route grants and, further, the improving of service through a very substantial increase in the numbers of competitive authorizations.

2. The degree of success which the Board has achieved through its current route policy is difficult to appraise since operating experience under the new route grants is limited. On the positive side, it is notable that in 1957 the proportionate share of the medium-sized carriers in the domestic travel market increased, reversing a six-year trend. Also, it is significant that capacity units costs of the medium-sized carriers have been trending downward, in contrast to an upturn in the unit costs experienced by the larger carriers. On the negative side, the large increase in competitive services is attributed by the industry as an important contributing factor to the declines in load factors over the last year and one-half. Also, the operating losses suffered by some of the beneficiaries of the strengthening policy make it uncertain that the desired results are being achieved. However, the limited experience precludes the formation of any definite conclusions on this score.

3. Recently a growing concern has been voiced in the industry, among investors, and even among some segments of the Board's staff, concerning the soundness of current route policies. It is contended that the establishment of new layers of competitive services, as where three, four or more carriers are authorized to provide duplicating services, is diluting the traffic densities available to each carrier at a time when traffic densities must be preserved and increased in order to permit economic operations with the higher capacity equipment to be delivered soon. It is also contended that the Board has been reaching its route grant determinations without full consideration of the

special factors which affect the economics of jet operations. It does not appear that the Board or its staff has undertaken a comprehensive study of the compatibility of the present route structure with the economic requirements which will be imposed by the jets. Indeed, no references appear in recent Board decisions to indicate that consideration has been given to the special problems of jet operations and gives substance to these allegations. In the circumstances, there is an obvious need for thorough study of the relations between the economics of jet operation and the route structure. If resources are not now available to the Board for such a study, it would be desirable that arrangements be undertaken to make the required resources available, as for example by the Under Secretary of Commerce for Transportation. Pending the completion of the study, it might further be desirable to delay initiation of any major route proceedings.

L. Impact on the Manufacturers and the Economy:

The difficulties in financing present and additional orders described in preceding sections will, of course, have a serious effect on the program of the aircraft industry and on economy.

1. As the competitive race for aircraft sales tightens, in the effort of each manufacturer to approach his break-even point, increasing pressure is being brought on the manufacturers to give more favorable terms to the airlines. Thus, several of the manufacturers have recently agreed to take in trade certain older aircraft for new aircraft. This, in effect, transfers the surplus aircraft disposition problem from the airlines to the manufacturers along with any risk that the old aircraft cannot be sold at the trade-in price.

2. Several of the manufacturers have indicated that pressure for more favorable terms - reduced down-payments and pre-payments, credit assistance and the like - is increasing. Because of the fact that most contracts contain a

"most favored company" clause (providing that the purchaser will receive at least as favorable terms as any subsequent purchaser) the cost of these more favorable terms promises to be high, perhaps as high as $100 million per company in actual or contingent commitments. Although potentially expensive, these requests for more favorable terms are difficult to turn down because of competitive conditions.

3. In the few order cut-back cases which have thus far occurred, the manufacturers have not found it competitively feasible to impose anything approaching the full cancellation penalty on the carriers.

4. At the outset of their programs many of the manufacturers were able to finance portions of their design and engineering expense from the down-payments or pre-payments of the carriers. As the manufacturing phase is entered with its heavy cash outlays, the investment of all of the manufacturers has now exceeded, and in some cases by a considerable amount, these payments. Until delivery, the manufacturers will increasingly be forced to invest their own cash resources in the transport program. At its peak such investment promises to exceed $1 billion.

5. The manufacturers complain that this demand on their cash resources coincides with a cut-back in pre-payments and progress payments being made by the Government under various directives initiated in the fall of 1957. Quite aside from the cash demands of the transport program, the cut-back in Government progress payments creates a substantial requirement for added working capital for most companies. The combination of these two demands places the manufacturers, they allege, in a serious working capital squeeze. They see the only solution to the problem to be increased borrowing to the amount of several hundred million dollars for the airframe industry as a whole. For some of the companies, borrowing in the required amounts may prove difficult.

6. Failure of the industry to make additional aircraft sales, or the cancellation of a portion of the existing orders without compensating replacement orders would

impose severe losses on all of the airframe manufacturers. To some extent these losses would be absorbed through tax reductions, but the impact on the company's earnings and surplus would nevertheless be severe. In varying degrees the same thing may be said of the impact on engine and accessory manufacturers, and other venders and subcontractors.

7. In terms of employment, failure to receive new orders, now expected, or a cutback from the level of orders already sold would mean curtailment of the planned work-force in the fairly near future. One manufacturer indicates that failure to increase his orders will result in a reduction of planned work force by 25 percent by year end. A reduction in orders to 80 percent of volume would reduce this manufacturer's planned work force by over 50 percent.

8. It seems probable that in the face of a static or declining level of commercial orders, the manufacturers will intensify their existing efforts to have the Government buy these transports or modifications thereof. In some instances, such sales are already in process of negotiation. A further deterioration in the airlines ability to finance might well lead to strong pressure on the Government to salvage the situation for the manufacturers.

FOR RELEASE AT 12:00 NOON, E.D.T., AUGUST 5, 1958

James C. Hagerty, Press Secretary to the President

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THE WHITE HOUSE

THE WHITE HOUSE TODAY MADE PUBLIC THE FOLLOWING LETTER FROM THE PRESIDENT TO THE HONORABLE RICHARD M. NIXON, PRESIDENT OF THE SENATE, AND THE HONORABLE SAM RAYBURN, SPEAKER OF THE HOUSE OF REPRESENTATIVES

Dear Mr. President:
Dear Mr. Speaker:

I am enclosing for the information of the appropriate Committees of the Senate (House of Representatives) a report which was recently prepared for my Special Assistant, Mr. E. R. Quesada, concerning the status and economic significance of the current equipment investment program of the major air carriers which, in turn, affects the broader aviation industry. This report sets forth, in some detail, the present status of the major air carriers and discusses their ability to implement their investment program of approximately $4 billion by 1962 in aircraft and equipment. This program is of such a size as to hold some significance to the national economy over the next few years.

I am today also transmitting the report to the appropriate agencies of government for their information and such action as they may deem appropriate within the framework of existing authority.

Sincerely,

DWIGHT D. EISENHOWER

The Honorable Richard M. Nixon
President of the Senate
Washington, D. C.

The Honorable Sam Rayburn
Speaker of the House of Representatives
Washington, D. C.

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The text of Mr. Quesada's letter to the President follows:

The President
The White House
Washington, D. C.

Dear Mr. President:

I have the honor to transmit a report concerning the status and economic significance of the current investment program of our major air carriers. The report was prepared at my request by Dr. Paul W. Cherington, Professor of Business Administration, Graduate School of Business Administration, Harvard University, who is a nationally recognized authority in the field of transportation. The report is designed to set forth an objective analysis of the impact of the airline investment program on the over-all national economy.

The report does not recommend any program of financial assistance to the carriers. It does point out, however, certain steps which might well be taken by various Government agencies, within the framework of existing authority, to facilitate the success of the equipment program. This program represents a major transition of our domestic trunklines and international carriers from piston to jet aircraft.

Relative to the national economy, this program is significant. It calls for a gross investment by the airlines of approximately $4 billion and a net investment of $2.6 billion by 1962 in aircraft and airline-owned facilities. This substantial investment of private capital is a dynamic element of our national economy which should not be permitted to falter.

The report purposefully avoids considering the implications of a modern air transportation system as related to our military posture, international prestige and improved public service. In confining itself to the status and economic significance of this private investment program, the report concludes:

1. That the equipment program is not unreasonably large or unnecessarily accelerated, provided the carriers vigorously develop new travel markets.

2. That several of the carriers have not completed the necessary financing arrangements to buy needed equipment. Of $1.4 billion which the carriers must raise from private sources, arrangements for $650 million are still to be made.

3. That inability of the carriers to succeed in financing any major portion of the equipment program will pose serious problems:

    (1) to the airlines and the preservation of a sound competitive domestic and international air route system;

    (2) to the aircraft and engine manufacturers and their 5,000 vendors who have invested heavily in the jet transport program;

more

(3) to the national economy

(a) through loss of some portion of the 120,000 jobs estimated to be directly involved in the program at its peak. In addition, there is a potential loss of indirect employment estimated to be at least a multiple of the direct;

(b) through the loss of economic stimulus which this large private investment program would provide;

(4) to the Government

(a) through a possible return of some airlines to subsidy;

(b) through pressure on Government (on the military and to be resisted) to purchase jet transports not delivered to airlines and thereby recover development costs.

The report also points out that, if the carriers are to have an opportunity to finance their equipment program at reasonable cost, the industry must be able to show private lenders and investors a favorable level of earnings. From 1950-1956, airline earnings were relatively good. In 1957, earnings were depressed and in 1958 to date have been still lower. These reduced earnings (losses for certain of the carriers) unfortunately occur at the most crucial stage of the financing for the equipment program. The only apparent way in which a reasonable earnings level can be achieved in time to attract adequate financing appears to be:

1. Through elimination or reduction of certain fare discounts now in effect.

2. Through increased promotion and reduced fares of air travel during off-peak periods.

3. Through increased fares for certain classes of air service.

4. Through continued aggressive action on the part of management to improve their operating efficiency.

The report suggests that, while the initiative for developing specific fare changes should be left to the carriers, the Civil Aeronautics Board must examine the carriers' proposals promptly, with full realization of the broad implications of the present equipment program. In this connection, the report points out that, since 1949, the carriers have had two small fare increases, the most recent one being in February 1958. Despite these increases, the real cost of domestic air travel (adjusted for changes in the value of the dollar) has declined by 9 percent. A pending CAB proceeding relating to domestic passenger fare levels is not due for decision until March 1959. By that time, the success or failure of major segments of the equipment program may well have been determined.

more

Although the report does not recommend any broad program of financial assistance to the carriers by the Government, it does set forth various measures that, if taken by the appropriate agencies of the Government within their existing authorities, would further the equipment program. The thrust of Dr. Cherington's analysis is to the effect that the carriers, at this time, should be given reasonable latitude to work out their own solution to the problem of equipment financing. With this conclusion I agree.

The report discusses the question of the proper size and composition of MATS and the allocation of MATS traffic between military-operated aircraft and those of commercial airlines.

Your recent discussions with the Secretary of Defense called for an analysis and review of the military role performed by MATS in peace and war, and a report as soon as practicable.

The report also suggests a review of those Government policies affecting the disposition by the airlines of piston aircraft which will be replaced by jet and turbo-prop aircraft. As Chairman of the Air Coordinating Committee, I have initiated this review.

I recommend that this report be transmitted to the Congress as information to the appropriate committees and also to the appropriate agencies of the Government, for their information and such action as they may deem appropriate within the framework of existing authority. As the airline equipment program appears to possess relatively wide public interest, I also recommend that the report be made public.

Respectfully,

E. R. Quesada
Special Assistant to the President

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CABINET PAPER—PRIVILEGED
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CA - 58-111 5

July 17, 1958

The White House

Washington

THE CABINET

Agenda

8:30 AM, Friday, July 18, 1958

1.	Briefing on the Situation in the Middle East	(Oral)	The Secretary of State
2.	Recent Economic Developments	(Oral)	The Chairman, Council of Economic Advisers

Robert Gray
Secretary to the Cabinet

CABINET PAPER
For Action

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 6-7-77

MINUTES OF CABINET MEETING

July 18, 1958
8:35 A. M. -- 10:08 A. M.

The following were present:

President Eisenhower

VP Nixon
Sec. Dulles
Sec. Anderson
Sec. McElroy
and Deputy Sec. Quarles
Atty Gen Rogers
PMG Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Stans
Deputy Director John Patterson
(for Gov. Hoegh)
Dr. Saulnier

Gov. Adams
Gen. Persons
Mr. Robert Gray

Mr. Allen Dulles, CIA
Mr. Abbott Washburn, USIA
Mr. John A. McCone
Gen. Twining

Adm. Strauss
Gordon Gray
Mr. Larson
Dr. Killian, in part
Mr. Siciliano
Mr. Randall
Mr. Martin
Mr. Jack Anderson, in part
Mr. Hagerty, in part
Mrs. Wheaton
Gov. Pyle
Dr. Hauge
Gen. Goodpaster
Mr. Patterson
Mr. Minnich

Mid East Situation - Sec. Dulles first recounted a statement by Stalin in 1924 to the effect that the Communist road to victory over the West lies in nationalism among the peoples of Asia and Africa. He then noted three things inherently advantageous to the Communists, or disadvantages to the Free World, as regards the Mid East: (1) the fact that the existence of Israel has served as a stimulant to Arab nationalism, especially since the Russians in 1955 switched from supporting Israel to direct aid to the Arabs; (2) the existence of anti-Western feeling which Russians can exploit but we cannot in view of the interests we and our allies have there; and (3) the effective demagoguery of Nasser is something the Russians encourage and exploit, whereas we in good conscience cannot do so.

Although the United States tried for a time to work with Nasser, said the Secretary, it became impossible to do so once Egypt accepted Russian arms in large quantity.

The Secretary called attention to the publication by us recently of approximately 125 specific acts by Syria to aid the rebels in Lebanon during the

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By NLE, Date 6-7-77

two months of what was originally a non-serious internal difference. This activity was considerably reduced following Hammarskjold's discussion with Nasser and the establishment of the UN observation team. Consequently, and since the team is very limited in size, it has not reported any evidence of further Syrian activity.

Sec. Dulles told how President Chamoun had some weeks ago sounded out what would be the US response to a request for assistance, and he was informed by us that aid would be forthcoming in any desperate situation. Prior to the Iraq coup it appeared that Chamoun would not have to request aid. The coup, however, frightened President Chamoun and Hussein as to their own positions and they called on the United States and the United Kingdom for assistance in sustaining their governments.

The President's decision to send aid, Mr. Dulles said, was not made under any illusion it would solve the problem; rather, it resulted from the awareness that failure to act would cause many other small nations to mistrust US policy and they would not be able to count on US assistance in time of crisis, hence they would be less willing to make a firm stand for freedom.

Mr. Dulles said that, although the United States went immediately to the Security Council to ask for a stronger UN force in Lebanon so that we might withdraw, the UN outcome is uncertain particularly because many nations have not accepted the fact of Syrian intrigue and look upon the Lebanon struggle as an internal one in which outside nations should not intervene. Mr. Dulles cited specific instances of intrigue originating in Cairo.

In estimating the seriousness of the situation, Sec. Dulles said that one must estimate the relative power of the United States and Russia as a basis for estimating whether Russia would take steps likely to lead to war. He stated that our present estimate is that the United States is now in a very strong position, perhaps stronger than in years to come when Russia has operational missiles.

Regarding the Baghdad Pact, Sec. Dulles recalled that the United States had not favored Iraqi membership in the Pact, hence the United States had not joined in it. He believed that the strain placed upon the Iraqi Government by membership in the Pact may have considerably contributed to that government's downfall. He did not see much chance of retrieving the Iraqi situation since there appeared to be very few troops or people loyal to the old government.

Mr. Dulles then directed attention to oil resources, concerning which he believed there would be no problem so long as alternative resources are held in Iran, Kuwait and Saudi Arabia. Iraq would need oil revenues. He indicated also that none of the threats against pipelines crossing unfriendly area have been carried out. He stated that the Subcommittee on oil is keeping abreast of the situation.

In response to Secretaries Benson, Weeks and Anderson, Mr. Dulles noted that India stands opposed to our action whereas Pakistan supports it, that

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Secretary General Hammarskjold had been unable to persuade the Swedish Government to alter its policy to one of support for us, that the Baghdad Pact was not constituted in such a way that it could properly intervene to retrieve the Iraq situation. Mr. Anderson was most concerned with the rapidity of the coup and the absence of indications in advance of its happening. He also felt that other nations would be concerned with this and would be very worried as to their own future after US troops leave the area.

The President felt that our major effort must be one of getting our whole propaganda effort into a stronger position, which would require much money and a larger mutual security program. In the meantime, he believed Turkey and Iran must be strengthened, as also Lebanon and Jordan and perhaps also Libya, Tunis, and the Sudan. He repeated his emphasis on the need for money for the mutual security program so as to get on with the job of rehabilitating our position in the area.

Mr. Allen Dulles recalled that the CIA had pinpointed more than a year ago the movement against the Iraq Government and had warned last March about the precarious situation in Iraq, Jordan, and Lebanon, that the President had directed an intensive review be made but that it was almost impossible to predict the exact timing of any coup. He mentioned several happenings which had probably served to trigger the coup earlier than planned.

Economic Developments - Dr. Saulnier presented a set of charts showing the course of this recession month by month since the downturn began last July and as compared with the earlier cycles of 1953, 1948, 1937 and 1929. Typical of all the indices, industrial production had gone down from July through April but had turned upwards in May and June. Regarding manufacturers' inventories, he stated that signs of a pick-up are now beginning to appear after a long down trend. He expected to see a very fast rate of recovery when the inventory trend gets turned around and new orders by durable goods manufacturers start moving upwards more rapidly.

Dr. Saulnier spoke at length on the possible psychological impact of the economy on the Mid East situation but said that as yet he could find no signs of any impact. The President ironically compared this with the reverse situation last Fall when the public was deeply agitated with the advent of Sputnik while the Government attempted to keep feelings on an even keel. Now, the people show no awareness of the seriousness of the Mid East crisis which has been of such great concern to Government officials.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Robert Gray
Mr. Minnich

~~CONFIDENTIAL~~

July 17, 1958

CONGRESSIONAL INCREASES IN BUDGET

Considering (1) the amounts already enacted, and (2) the increases pending in bills on which action has not yet been completed, this session of Congress has raised or is proposing to raise recommended program authorizations by about $12.5 billion, without considering the tentative reduction made by the House in mutual security. (This total reflects the situation on July 17, and further actions may change the total.) Not all of this would be spent in one year.

These congressional increases must be viewed, however, in the context of a deficit of ~~approximately~~ just under $3 billion last fiscal year and of an estimated deficit for the current 1959 fiscal year of over $10 billion, (or possibly more. ~~The 1958 deficit and~~ Roughly one-half of the presently estimated 1959 deficit are the is result from a of shortfalls in expected revenues. The remaining half ~~About half of the anticipated deficit of over $10 billion for 1959~~ is attributable to increased expenditures. ~~Some of these expenditures, as in agricultural programs, will result from changed circumstances but~~ in very large measure these increased expenditures they are the result of congressional actions in raising the program authorizations which the President recommended.

Already enacted.

Appropriations and other legislation already enacted this session exceed corresponding administration requests by $5.8 billion, with much of the budget still to be enacted.

The Highway Act of 1958 increased authorizations for grants from the Highway Trust Fund by $2.6 billion, which will require higher gasoline tax revenues if the trust fund is to be kept intact.

The Emergency Housing Act added $1.8 billion to the President's recommended authorizations for mortgage purchases and direct housing loans to veterans.

The failure of Congress to raise postal rates as much as was recommended will mean the expenditure of an additional $247 million from general funds of the Treasury to cover postal costs.

The pay increases enacted for both military and civilian personnel were larger than had been recommended. The retroactive feature of the pay raise is estimated to cost $428 million, most of which is being paid in fiscal 1959. The 1959 payroll increases are expected to exceed the budget allowances by $370 million.

Legislation authorizing construction subsidies for new superliner passenger ships will require eventual appropriations of over $200 million.

Not yet enacted, but some action taken.

The House has increased the requested Defense appropriations by $832 million for procurement of missiles, submarines, and aircraft and by $226 million for more military personnel. These increases have been offset in part by cuts in recommended appropriations for operation and maintenance, spare parts, and shipbuilding, leaving a net increase of about $500 million which was partly concealed by bookkeeping transfers. Some of these increases for the armed services provide more money than can be used in the coming year and so will not add to our defensive strength.

At the same time, the House has weakened the security of the free world by reducing mutual security appropriations $872 million below the original recommendation.

Public works appropriations now in conference add 74 new projects with an eventual total cost of over one billion dollars, although the increase shown for 1959 is only $82 million.

The Government contribution to the civil service retirement fund has been raised $589 million by the House. This is in addition to the $645 million which the various agencies will automatically pay to the fund and is entirely unnecessary since these pensions are backed by the full faith and credit of the United States.

Other major increases in appropriations to date are $245 million for the Department of Health, Education, and Welfare, and $202 million for public buildings.

In addition to these actions on appropriations, the House or Senate or both have taken some action on substantive legislation involving increased authorizations. These pending bills would add another--

$1,900 million for public facility loans,
$875 million for housing,
$1,000 million for waste treatment facilities,
$512 million for airport grants,
$300 million for area assistance,
$250 million for small business investment,
$193 million for atomic energy reactors, and
$50 million for educational television.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

RA - 58-111

July 21, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, July 18, 1958:

1. Briefing on the Situation in the Middle East

   /Information Item Only/

2. Recent Economic Developments

   /Information Item Only/

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

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CA - 58-111

July 17, 1958

The White House

Washington

THE CABINET

Agenda

8:30 AM, Friday, July 18, 1958

1.	Briefing on the Situation in the Middle East	(Oral)	The Secretary of State
2.	Recent Economic Developments	(Oral)	The Chairman, Council of Economic Advisers

Robert Gray
Secretary to the Cabinet

CABINET PAPER

For Action

THE WHITE HOUSE
WASHINGTON

July 17, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, July 18

The following are the items listed for the Cabinet meeting on Friday:

1. Briefing on the Situation in the Middle East (Secretary Dulles)

Secretary Dulles will make an informational presentation to the Cabinet on the week's developments in Lebanon and the Middle East. The following will be on hand to supplement the Secretary's comments or to answer questions:

The Secretary of Defense
The Chairman of the Joint Chiefs of Staff
The Director of the Central Intelligence Agency
The Deputy Director, U.S. Information Agency

2. Recent Economic Developments (Dr. Saulnier)

Dr. Saulnier will make a brief report on some recent economic developments.

Robert Gray

Robert Gray
Secretary to the Cabinet

July 21, 1958

MEMORANDUM FOR:

The Honorable Maurice Stans
Director, Bureau of the Budget

FROM: Robert Gray

Thank you for assembling the material regarding Congressional budget increases which the President suggested we circulate to the various members of the Cabinet for their use in speech-making.

Following his presentation at Cabinet last Friday, I asked Steve Saulnier to give us one or two paragraphs which would point out, as he did in making his presentation, that the economic upturn predated the Middle East crisis by at least two months. Steve asked to see a copy of your material that we were distributing and took the liberty of suggesting some minor changes in the second paragraph. I am attaching his suggested revised version, and I want to make it very clear that this is suggestion only. If you wish distribution on the basis of your original draft, I assure you that it will go out verbatim.

I am also attaching the three-paragraph brief of his Friday's presentation which Saulnier has prepared.

Attachments

RG:gs

Original version:

These congressional increases must be viewed, however, in the context of a deficit of approximately $3 billion last fiscal year and of an estimated deficit for the current 1959 fiscal year of over $10 billion. The 1958 deficit and roughly one-half of the 1959 deficit are the result of shortfalls in expected revenues. About half of the anticipated deficit of over $10 billion for 1959 is attributable to increased expenditures. Some of these expenditures, as in agricultural programs, will result from changed circumstances but in very large measure they are the result of congressional actions in raising the program authorizations which the President recommended.

Revision suggested by Mr. Saulnier:

These congressional increases must be viewed, however, in the context of a deficit of just under $3 billion last fiscal year and of an estimated deficit for the current 1959 fiscal year of $10 billion, or possibly more. Roughly one-half of the presently estimated 1959 deficit results from a shortfall in expected revenues. The remaining half is attributable to increased expenditures. In large measure these increased expenditures are the result of congressional actions in raising the program authorizations which the President recommended.

7-19-58

Our economy has shown marked recovery in the last few months, contrary to claims of deepening depression and forecasts that the decline would continue through 1958 and into 1959. It is especially important to note that recovery began in May, more than two months before the outbreak of disturbances in the Middle East.

Production began to rise in May and continued its increase in June; in two months, it recovered 20 percent of its total recession loss. Employment was up more than 1 million in May and nearly another million in June. Personal income (seasonally adjusted) has been rising since last March; it went up $1.8 billion in May and another $1.9 billion in June. Home building has been rising since last March; it is now 10 percent above last year at this time.

These are encouraging increases and our policy will be to keep our economy moving up the recovery path, and to promote a sound and sustainable rate of growth without inflation of prices.

July 17, 1958

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The Dwight D. E [illegible] Library

MEMORANDUM FOR [illegible] V.P.

At Cabinet meeting on June 27th, the President asked that each Cabinet Member be apprised of the increases which the 85th Congress has written into the Administration's ~~operating~~ legislative proposals.

Director Stans has prepared a brief summary and it is attached.

The President has asked that each Cabinet Officer make use of this information in his ~~various~~ speeches between now and November.

I particularly call your attention to two facts:

1. Considering the amounts already enacted, and the increases pending in bills on which action has not yet been completed, this session of Congress has raised or is proposing to raise recommended program authorizations by about $12.5 billion.
2. About half of the anticipated deficit ~~of over $10 billion~~ for 1959 is attributable to increased expenditures.

~~The final statement~~ Also attached is a recap of the presentation made by Dr. Saulnier at the Cabinet meeting of July 18, 1958, in which he pointed out that ~~the~~ economic recovery began well in advance of the current mid-East situation. Your use of the information on this point may help us to avoid the charge that this Administration needed an international conflict to end the recession. R.G.

July 19, 1958

MEMORANDUM FOR

Dr. Saulnier

Per our telephone conversation. I will appreciate receiving your addition as soon as you can let me have it, as we are anxious to get this material in the hands of the Cabinet officers for their use in speechmaking.

Robert Gray
Secretary to the Cabinet

RG:gs

7-19-58

* * * * * * *

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July 17, 1958

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CORRESPONDENTS OR TITLE	DATE
ord of Action Sec Mtg. 7/25/58- RA-58-112	7/
RA-58a112	7/23/5
	7/23/5
Assistant Secy. of Defense W.J.McNeil [illegible] of defense material	7/

Order 11652 governing access to national security information.
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accordance with restrictions contained in the donor's deed of gift.

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ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By 2HC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

July 25, 1958
9:00 A. M. --

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Anderson
Sec. McElroy
Mr. Rogers
Mr. Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Stans
Gov. Hoegh
Dr. Saulnier

Asst. Sec. McNeil, Defense
Asst. Sec. Mueller, Commerce
Under Sec. Dillon, State
Director Allen Dulles, CIA
Dr. Allen, CIA
Dr. Arthur Flemming

Gov. Adams
Gen. Persons
Mr. Robert Gray

Mr. Hagerty
Gen. Goodpaster
Mr. Gordon Gray
Dr. Killian
Mr. Randall
Mr. McCone
Gov. Pyle
Mrs. Wheaton
Dr. Hauge
Mr. Larson
Mr. Siciliano
Adm. Strauss
Mr. Patterson
Mr. Minnich

Mutual Security - Adding this item to the agenda, the President marked this legislation -- along with reciprocal trade and Defense reorganization -- as his three prime interests this year. He felt strongly that the country simply cannot continue to throw additional money into things where there is no real need and fail to provide those things that can do a tremendous amount of good. Since the mutual security appropriation was about ready to be marked up in the Senate Committee, he asked every member of the Cabinet to do what he could with his friends on the Hill toward getting the highest possible amount approved by the Senate so that the low House figure could be counteracted for Conference purposes and a reasonably high final appropriation be obtained.

The President said that he might be putting out a public statement about this if it could first be determined that the Congressional leaders would not regard such a statement as undercutting them and being a basis for a charge of lobbying that would hurt rather than help the bill.

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ADMINISTRATIVE MARKING
E.O. 11652, Section 1
GHC NLE, Date 9-26-77

Sec. Benson asked for some coordination as regards who should talk to whom, and the President directed Gen. Persons to provide it. Sec. Weeks requested a briefing memorandum so that Cabinet members could talk knowledgeably and Under Sec. Dillon stated that one would be forthcoming promptly. The President suggested that Mr. Dillon might get available members of the Cabinet together for a briefing session if he could spare time from his pressing work on the Hill.

Debt Limit Increase - Sec. Anderson informed the Cabinet of the requirement for asking a further increase of $8 billion in the debt limit, to a total of $288 billion. He said that the Administration was requesting a permanent increase to $285 billion, the other $3 billion to be a temporary increase for two years. The stated reason for the permanent increase is that there is no prospect in the next several years of getting the debt down to the existing figure. In the background, there was also the possible legal problem involved in issuing bonds for a term extending beyond the expiration date of a temporary increase. This action might be challenged on the grounds that such bonds lacked authority and were illegal, thus possibly weakening the whole government fiscal structure.

Sec. Anderson noted Sen. Byrd's opposition to the request but the willingness of other leaders to go along. In response to Sec. Dulles, he said that the level requested would be adequate unless the Mid East situation created an additional large requirement.

Soviet Economic Offensive - Mr. Allen Dulles stated that Soviet trade with the world had risen 500% -- a big percentage partially because of the low starting point -- since 1954. Since February 1956, he said, an interdepartmental working group had been watching developments and reporting every two weeks. He offered to provide these reports to any interested Cabinet member not already receiving them.

Mr. Dulles briefly sketched Soviet trade and grant programs in recent years, particularly with six countries -- Egypt, Syria, Yugoslavia, Afghanistan, India, and Indonesia. China and other satellite countries joined the Soviet in these programs. He noted that the Communists are particularly effective in dealing with one crop countries and are willing to do so at great cost to themselves if the political benefits seem large enough. Thus, the Communists could take actions that the private businesses of a profit economy are not geared to take.

Mr. Dulles asserted that the Free World faces a quite dangerous situation in the Soviet capacity to dislocate established markets; for instance, they could deliver oil to Western Europe, undercutting other sources. Also they are tending to bite heavily into the markets for certain products in developed countries -- as, for instance, aluminum.

Mr. Dulles pointed out that the Russians do not have a most effective trade mechanism on which to base these efforts since they do not have an established international currency, the ruble being practically worthless except behind the Iron Curtain.

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Mr. Randall emphasized that practically all foreign policy matters are related to the solution of this problem and that the solution could not be expected from any single "dramatic" move. He stated that the mutual security program continued to be a most important weapon in this.

Organizationally, Mr. Randall said, steps had been taken to establish in Mr. Dillon's office the focal point for new ideas in this area. Also, Sec. Weeks had asked the Business Advisory Council to look into the problem and had proceeded to set up a strong Committee which will be ready perhaps by September to forward a report to the Cabinet. Mr. Randall asked that all agencies give the Committee complete cooperation. He emphasized that this Committee does not free the Government of its responsibility. On a request from Mr. McElroy, Mr. Randall said that he would circulate a memorandum on the membership and work of the Committee.

Mr. Dillon said that the United States would not attempt to compete with Russia in every country on a dollar for dollar basis although in India both Russia and the United States are pursuing large programs. He took note of the project in Afghanistan for construction of a university at Kabul which would be a useful and visible program. He referred briefly to prospects of programs for Indonesia and Yemen.

In addition to our reciprocal trade and mutual security programs, Mr. Dillon said, we have now undertaken to give better training to technicians going abroad, to find ways better to use private enterprise as an antidote to the Soviet salesmanship of State enterprise, and to discover a better handling of commodity trading in the world so as to be helpful to under-developed countries that depend upon selling basic commodities. Commodity trading, he stated, is a different problem for each commodity, as witness coffee, lead and zinc, tin, aluminum. On tin and aluminum, the solution may be (though we do not desire it) in some sort of international body although it is not likely that the Soviet would join such.

Mr. Dillon concluded by noting that the State Department organization is probably not adequate for handling this matter, hence recommended changes may soon be brought forward.

Budget Report - Mr. Stans again went over the changes in agency expenditure and personnel figures, then took note of items still pending in Congress which could increase 1959 expenditures to $80 billion if all are approved.

Mr. McElroy noted the Senate effort to increase the Defense appropriation far above the Administration request. The President thought some of this might be remedied in Conference since the House and Senate would push different things. Regarding other programs still pending about which Mr. Stans had spoken, the President reminded the Cabinet that those which might be passed would probably be approved by Congress within the last ten days of the session and would be subject to pocket veto.

Operation Alert 1958 - Gov. Hoegh commented that the departmental personnel had responded very well in this Exercise, that it had been highly

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By bc NLE, Date 8/30/78

successful on the regional level, and that the apparent weaknesses and strengths of the Federal action were being evaluated for the September 17-19 critique.

Sec. Seaton recalled that weather had upset helicopter transportation during the Exercise and that Gov. Hoegh might usefully consider a plan for having alternates moved in advance by other transportation to the site of any large meeting so that the meeting would not be disrupted should the principals be weatherbound.

The Postmaster General asked about any plans for continuing staffing of relocation sites. Gov. Hoegh said that discussions were under way in terms of strengthening the cadres. The President thought something like this could provide very good insurance at minimum expense. The Postmaster General expressed his Department's desire to do this if it could also be done generally by Government agencies.

HEW Trends - Sec. Folsom promised to circulate a full report to amplify the brief remarks he intended to make. He then recounted progress in conquering polio and other communicable diseases such as smallpox, diphtheria and tuberculosis. Much remained to be done on such things as heart, cancer and mental illnesses. Sec. Folsom then noted the heavy increases in the cost of medical care, especially hospital rates. He called attention to the great extension of voluntary health insurance in the past four years and the beginning of popularity for major medical insurance. In this area, he said, the larger problem is that of coverage for older people who too frequently are dropped out of health insurance programs at the time they are most needed.

In regard to medical facilities, he stressed the need for convalescent homes and for up to twenty new medical schools by 1970 to maintain the supply of doctors which is lagging behind the traditional rate per population. The President inquired as to the responsibilities of the States in regard to medical schools, and Sec Folsom made clear that he was talking about the problem nationally rather than just a Federal Government responsibility.

School construction continues to reduce the backlog of classroom requirements, but only slowly, the Secretary pointed out.

In the welfare field, Sec. Folsom noted the increase in those drawing social security insurance, where 11,750,000 people are now drawing benefits at an annual rate of $7.8 billion compared with $6.5 billion in 1957. He spoke favorably of the low cost of administration of the various welfare programs and the admiration that the administrative methods in the old age insurance program command from management experts. He highly recommended the vocational rehabilitation program, since it restores people to useful employment.

The President referred to Federal programs on medical research and his interest in discovering what justification there is for increasing the Federal programs when so many private activities are under way. Sec. Folsom

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replied that his Department had been studying the question as requested by the President earlier, that a committee composed of deans of medical schools and leaders in other related fields had canvassed the subject to determine whether the Nation was getting its money's worth out of these programs, and that they were recommending that Federal programs be doubled over the next ten to fifteen years in a continuing partnership with charitable and industrial research efforts.

The President then commented on his personal feeling that it was a mistake to combine Red Cross fund campaigns with others in United Giving since the Red Cross was so outstanding in its efforts to meet every disaster everywhere in the Nation.

Sec. Dulles suggested that the encouraging factual information in this report could be put to good use by USIA.

The President took note of Sec. Folsom's departure from the Cabinet and directed that an appropriate entry be made in the Record of Action.

* * * *

Prior to ending the meeting, the President asked that those who had not had an opportunity at NSC to stay to hear the post-Cabinet briefing on the implications of costs in Defense materiel on future force levels. This briefing was done by Mr. McNeil for the small group that remained. He presented in detail the ever-increasing costs of maintaining each man in service -- pay, maintenance, fringe benefits, and particularly equipment, as modernization of the Armed Forces goes forward.

In conclusion, Mr. McNeil pointed out alternative lines of action: (1) less modernization; (2) smaller forces; (3) more deficit financing; (4) some combination of the other three. He reported that Sec. McElroy had therefore requested the Joint Chiefs to make recommendations as to the force structure that would be in keeping with a continuing modernization of the Defense program.

* * * *

LAM

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2)
Mr. Gray
Mr. Minnich

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

July 24, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, July 25, 1958

The following are the items listed for the Cabinet meeting on Friday:

1. Support for the Mutual Security Program (The President)

Pursuant to your suggestion, this item leads the agenda.

2. The Sino-Soviet Economic Offensive (Director Dulles, Clarence Randall, Douglas Dillon)

Director Allen Dulles will give an up-to-the-minute report on Russia's economic offensive. His 20-minute presentation will be followed by brief reports from Clarence Randall and Douglas Dillon re: U.S. plans and action for a counter-offensive.

3. Budget Status Report (Director Stans)

Director Stans will make his monthly report, which will be divided into two parts: (1) A presentation of the final figures for FY 1958. (2) A look at the shape of the FY 1959 budget in view of current Congressional action.

4. Interim Report on OPERATION ALERT, 1958 (Director Hoegh)

Governor Hoegh will give a review of this year's Exercise. This will be a brief report -- a full scale evaluation will be made in September.

5. Recent Trends in Health, Education, and Welfare (Secretary Folsom)

This will be Secretary Folsom's last meeting with the Cabinet. He has asked for ten minutes to recap his accomplishments.

* * * * * *

6. The Implications of Costs of Defense Materiel on Future Force Levels (Secretary McElroy, Assistant Secretary McNeil)

This presentation emphasizes the increasing materiel costs in the Defense Department.

NOTE: You have heard this presentation at NSC. It is placed last on the agenda so that you, and those who have already heard it, may leave the meeting.

Robert Gray

Robert Gray
Secretary to the Cabinet

The SINO-SOVIET ECONOMIC OFFENSIVE in the LESS DEVELOPED COUNTRIES

DEPARTMENT OF STATE
UNITED STATES OF AMERICA

The
SINO-SOVIET
ECONOMIC OFFENSIVE
in the
LESS DEVELOPED COUNTRIES

DEPARTMENT OF STATE

DEPARTMENT OF STATE PUBLICATION 6632

European and British Commonwealth Series 51

Released May 1958

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Foreword

The launching of an earth satellite by the Soviet Union in October 1957 brought the American people abruptly to a realization of the advanced technical and scientific capacities which now stand behind the threatening posture of the Soviet Union toward the free world.

Earlier, in 1953, following the death of Premier Stalin, the new leadership of the Kremlin had launched a different and unannounced offensive against the free nations—a massive program of trade, aid, and technical assistance aimed at the world's less developed countries. The nature of the major aid agreements which the Sino-Soviet bloc has concluded with these "target" countries and the intensity with which the bloc has pursued its trade-aid campaign in the last 3 years have helped to underscore the statement of Nikita Khrushchev, now Premier of the U.S.S.R., who declared in 1955: "We value trade least for economic reasons and most for political purposes."

It is of great importance that the American people, now well aware of the technical and scientific challenge posed by the Communist world, understand and rise to meet the equally great, and perhaps more subtly dangerous, offensive which the Sino-Soviet bloc has vigorously launched in the less developed areas. This offensive represents an attempt by the Sino-Soviet bloc to employ its growing economic and industrial capacities as a means for bringing the newly developing free nations within the Communist orbit.

The facts presented in this document reveal the dimensions of the Sino-Soviet economic offensive in the less developed countries. The document does not pretend to set forth answers to the problems which confront us, but is limited rather to a description of the scope and nature of the offensive and an analysis of its motives and objectives. This paper was prepared by the Department of State on the basis of a careful study of material available from a great many different sources.

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Introduction

"If the purpose of Soviet aid to any country were simply to help it overcome economic difficulties without infringing its freedom, such aid could be welcomed as forwarding the free world purpose of economic growth. But there is nothing in the history of international communism to indicate this can be the case. Until such evidence is forthcoming, we and other free nations must assume that Soviet bloc aid is a new, subtle, and long-range instrument directed toward the same old purpose of drawing its recipient away from the community of free nations and ultimately into the Communist orbit."—Dwight D. Eisenhower, in his message to Congress, February 19, 1958.

. . . .

Communists have never abandoned their ultimate goal, which is world domination. They have shifted emphasis from one course to another, but always their strategy and tactics, even though apparently inconsistent or contradictory, have clearly been directed toward achieving the objective set for them by Lenin more than 40 years ago.

First they concentrated on gaining control of a state where conditions offered them an excellent opportunity: Russia. They were working even then, however, to dominate other countries, and after consolidating their power in the Soviet Union they went on to other areas. Eastern Europe first fell to their control—10 countries, one by one.

This was accomplished by both political and military action. Subversion was employed in advance. Hard-core Communist groups were ready to assume political control when the moment came. China was the next to come under the international Communists' control, and again the same pattern of preparation was evident—the hard core of Lenin's disciples, subversion of influential groups, political action, military action, all employed according to what was most expedient and promising at any particular time.

In 1950 the Communists launched direct and open aggression against Korea, which was met by an immediate and ultimately successful effort by the United States and its free-world allies to check this aggression. Since then the Communists have come to place more and more reliance on a wider and wider range of nonmilitary tactics for accomplishing their expansionist goals. This does not mean that they have devoted less effort to building up their military might. Quite the contrary. But it does indicate that the Communists feel that they stand greater chance of success, while avoiding unacceptable risks of war, through placing greater emphasis upon economic and political subversion.

The new tactic, economic penetration, is the most dangerous of all. The story of this economic tactic is the subject of the document that follows.

Part One

Bloc Objectives, Capabilities, and Methods

I. THE SETTING IN THE LESS DEVELOPED AREAS

The Soviet economic offensive is carefully shaped to exploit the aspirations as well as the dissatisfactions of the less developed countries of the free world. While average per capita income in the less developed areas varies widely from country to country, the bulk of the people continue to live in extreme poverty, which was generally accepted as inevitable in the past. This attitude no longer predominates. The postwar period has witnessed a remarkable upsurge of hope and determination to achieve modernization and economic growth—aptly called by one prominent scholar "the revolution of rising expectations." Throughout the world, governments of the less developed countries are committed as a matter of the highest priority to industrialization and the expansion of production. The drive is related primarily to the desire of the average man for more material welfare and to the political demands upon governments which this creates.

In general, these countries have set for themselves ambitious development goals which exceed their own resources in capital as well as technical and entrepreneurial skills. They face particular difficulties in trying to achieve the rapid industrialization on which they place such a high premium as a symbol of economic independence. A significant number of political parties or groups consider that centralized planning and substantial participation of the state in investment programs is essential to their rapid economic growth. While many of these people may be opposed to Communist political institutions and methods, they are frequently impressed by Soviet industrial growth and technological achievements, although these have yet to attain previous Western European and North American levels.

Most governments recognize that development must depend largely on the country's own efforts, but they also feel that foreign economic assistance is indispensable to rapid growth and they therefore actively seek capital and technical assistance from abroad. At the same time they maintain a zealous guard against any economic commitments which they consider might impair their sovereignty.

There is widespread readiness in the less developed countries—particularly those with a colonial past—to attribute their poverty to their previous political status. Communist propaganda plays heavily on this theme by misrepresenting United States trade and aid programs as merely a new disguise for the old "imperialism" designed to maintain the nonindustrial countries in a state of economic subjugation. Where prejudice is strong, such distortions have gained acceptance among some groups. However, antiwesternism and readiness to blame current frustrations on the West are not necessarily synonymous with a pro-Communist attitude or naiveté regarding Soviet and Communist Chinese political ambitions. While leaders of a few of the less developed countries may overestimate their ability to control the threat from the bloc, the majority recognize the advantages of free-world trade and assistance and would accept a serious degree of economic entanglement with the bloc, if at all, only as a last resort.

In this context, the ability of the less developed countries to dispose readily of their exports at stable prices in traditional free-world markets is important. Most of these countries are heavily dependent on export earnings from a few primary commodities to finance imports essential not only to development but also to the maintenance of current consumption. Thus, if markets for these commodities should contract as a result of substantially reduced demand or restrictionist commercial policies in the developed countries, the disadvantages of large-scale bilateral trading with the bloc would lose much of their force as deterrents to the acceptance of bloc trade and aid overtures.

Other factors of a more strictly political character also play a major role in determining the foreign economic relations of the less developed countries. While the situation in each country has unique aspects, certain elements are common to most cases. The outstanding example is intense nationalism, which usually explains the zeal to reduce dependence on the industrialized countries and which inspires many governmental actions on the part of the less developed countries—particularly the newly independent nations of Asia and Africa—regardless of adverse economic consequences.

Such uneconomic measures and the resulting institutional disturbances contribute to internal political unrest; they also affect the ability and even the willingness of the Western countries to contribute to the badly needed economic development of these areas. Yet the governments of the less developed countries are under constant pressures to take measures which give the appearance of hastening internal economic advancement. Under these circumstances some have undertaken to obtain economic aid from both East and West, counting on the willingness of the great powers to bid for such opportunities.

Neutralism has been another major political factor affecting the bloc's willingness and ability to pursue its economic offensive in the free world. As a political idea, neutralism originally implied ideological detachment from both the Soviet bloc and the free world. In recent years, however, emphasis has been given to detachment from the West, and the term "positive neutralism" has been coined in the Afro-Asian area to convey this anti-Western shade of meaning. From the point of view of Soviet propaganda, neutralism is exploited not as an isolationist detachment from the bloc as well as the West, but as a *rapprochement* with the Soviet bloc.

The practice of neutralism is far from uniform among the Afro-Asian countries and depends both on their historical involvement and their problems in current relations with the major powers. At best, it takes the form of efforts by the more prominent leaders to play impartial intermediary roles to reduce world tensions between the bloc and the free world or to make appeals to both the U.S.S.R. and the West to stop nuclear weapons tests and manufacture. In the extreme, it manifests itself in regional solidarity demonstrations against the West and in attacks upon free-world defense and economic policies. In the economic field, neutralism tends to take the form of expanding relations with the bloc, a course of action which some groups view as not more dangerous to independence than confining such relations to the industrialized nations of the West. Chapters II and IV provide important data bearing on this question.

Disputes between nations and Soviet readiness to aggravate them have also been a major factor influencing some of the less developed countries to expand economic relations with the bloc. When bloc credits in such circumstances include the provision of arms under favorable purchase terms, together with military advisers and technicians, the way is opened to deeper involvement. Thus the extensive Soviet-bloc economic ties with Egypt, and later Syria, can be related directly to the Arab-Israeli dispute and to bloc provision of arms in support of Egyptian-Syrian military aspirations. Soviet support for Egypt and Syria subsequently moved into the field of large-scale credits for economic development. The political dispute between Afghanistan and Pakistan is another example of a situation in which the Soviets, by supporting Afghanistan, took advantage of local rivalry. More recently, the Soviets have attempted to encourage Yemen's border dispute with the United Kingdom over Aden and the Dutch-Indonesian dispute over Western New Guinea.

By and large, the presence of local Communist parties has not been an important factor in promoting acceptance of economic programs, since the ability of such groups to influence the foreign policies of the government is generally minimal or nonexistent. The same is generally true of "front groups," although in some countries they have had nuisance value to the U.S.S.R. by spreading propaganda that more extensive economic dealings with the bloc would alleviate trade problems and serve to promote nationalist development goals. The Afro-Asian Peoples' Solidarity Conference, which met in Cairo at the end of 1957, was an attempt by the U.S.S.R. to use an international group to promote its economic offensive.

In recent years the strategy of international communism has been to play down the overt relationship of the U.S.S.R. to local Communist movements and has called for the identification of Communist goals with the aspirations of the majority groups. This apparent shift from the earlier strategy of international communism tends to reinforce other elements in the Soviet drive for respectability and, while not always taken at face value, has probably served in some areas to blur the threat of economic ties with the bloc.

II. MOTIVES AND OBJECTIVES

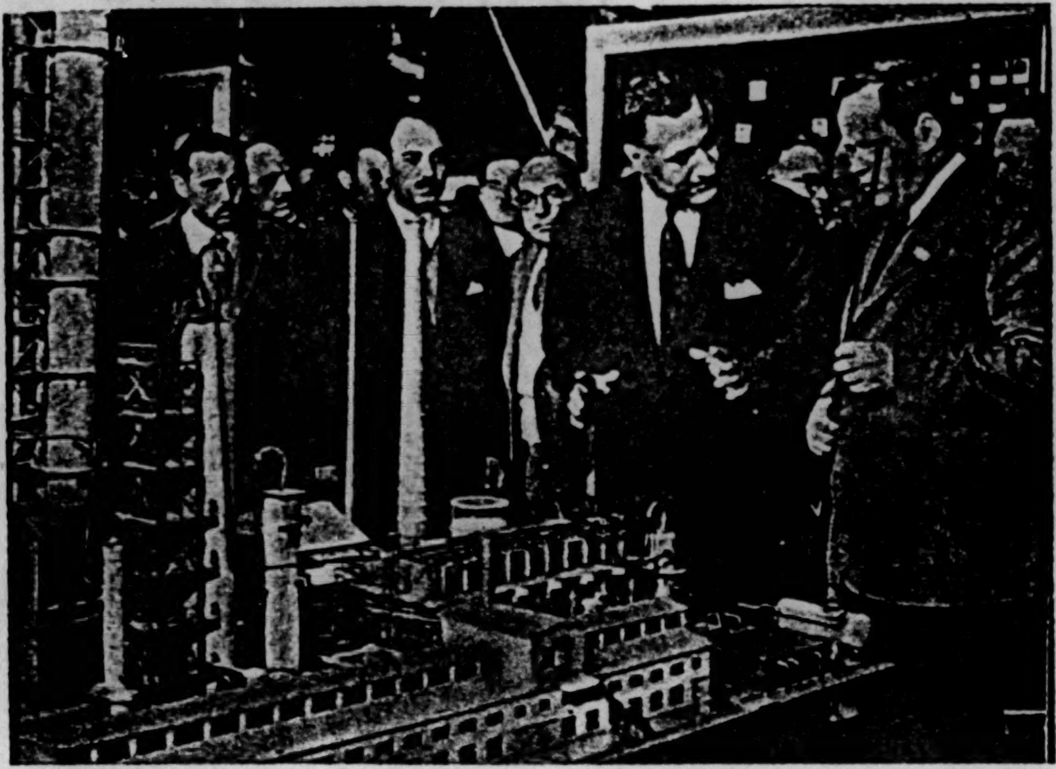
The bloc economic offensive is a major instrument of Soviet foreign policy and reflects its principal objectives. While the European satellites have played a significant role in the offensive in some countries, it is the U.S.S.R. which has determined the overall policy, defined its ideological and political significance, taken the dramatic steps to promote its psychological impact, and engineered the more spectacular deals with the less developed countries.

Motivation Primarily Political

"We value trade least for economic reasons and most for political purposes," Mr. Khrushchev remarked to a group of U.S. Congressmen in 1955. This attitude applies with greatest force to the less developed countries where trade and aid ventures, as an integral part of the "new look" Soviet foreign policy, can yield the largest political returns. The offensive has thus been aimed especially at the "neutralist" countries of Asia and Africa. The nature and circumstances of the major aid agreements concluded by the U.S.S.R. and its more publicized trade operations with these target countries (which are discussed in Part Two) clearly illustrate the use of these weapons in support of Soviet political objectives. The concerted bombardment of trade and aid offers in the last 3 years is more obviously a contrived campaign which could not, of course, be explained by commercial considerations alone. Soviet statements both at home and abroad have, in fact, highlighted the political aspects of the offensive by stressing its importance in "the struggle against imperialism," a favorite Communist propaganda piece.

While the Soviet motivation is overwhelmingly political, the European satellites have a strong economic incentive to participate in the offensive in view of their pressing need for imported primary products and foreign markets for their manufactures (see Chapter III). East Germany, of course, also has the objective of using trade and credits to gain respectability, representation, and eventually diplomatic recognition in nonbloc countries. Even though the impetus to satellite participation is heavily economic, the total weight of their economic presence in the less developed countries adds substantially to Soviet ability to promote its political objectives.

The Peiping regime's participation in the bloc economic offensive is no less politically motivated than is the Soviet Union's. Political purposes are evident in offers of credits and grants by Communist China, itself an underdeveloped area. With respect to trade, Communist China's requirements for raw material exports of the less developed countries are quite limited and its interest in



President Nasser and a Russian engineer view a model of a Soviet oil refinery at an industrial exhibit at Cairo.

promoting trade in that area is often inspired as much by subversive intent as by a need to obtain transferable foreign exchange.

Politically, trade and aid serve as instruments in Communist China's efforts to obtain recognition as the established government of China and ultimately as the great power of Asia. Three of the four countries which have recognized Communist China since the Korean conflict—Nepal, Egypt, and Yemen—have been rewarded with allocations of economic aid. By emphasizing trade and aid as a major facet of its relations with other countries, the Chinese Communists seek to create the image of a friendly and prosperous nation with which relations of mutual benefit can be established or expanded. Together with the U.S.S.R., Communist China seeks to impress less developed countries, particularly in Southeast Asia, with its progress toward industrialization and to recommend its type of planned economy as a model for Asian economic development. In so doing, the affinity as a fellow Asian country which suffered the ills of colonialism is stressed. Despite its limited means, Peiping stands ready to use economic aid, grants as well as credits, for subversive purposes. This was demonstrated by the unsuccessful attempt of Communist forces in Laos in early 1957 to make the acceptance of substantial financial aid from Communist China a condition for a political settlement with the Lao Government.

Thus the motivation of the Soviet Union and Communist China is primarily political, while European satellite motivation is heavily economic. The sum total of the bloc economic offensive, in view of Communist political objectives, is a threat to the less developed countries and their peaceful relations with other free-world nations.

Part of Broader Foreign Policy Considerations

The immediate political objectives and tactics of the U.S.S.R. in its economic offensive vary considerably from country to country. The Soviet Union's purposes in giving economic aid to India and Burma are different from those involved in Egypt and Syria or, for that matter, in Latin America. In other words, the Soviets' objectives would vary with the overall foreign policy objectives which the U.S.S.R. has determined for a given country or area. Economic weapons are used only as one part of the broader, well integrated political campaign aimed at any given target. However, Soviet policy vis-a-vis the less developed countries is sufficiently consistent to permit certain useful generalizations.

Gain in Influence and Goodwill

One of the most important and immediate objectives of the Soviet economic offensive is the desire to establish Soviet influence in the crucial uncommitted areas by acquiring a considerable measure of goodwill, especially among the key, politically articulate groups. This desire of the Soviet leadership to emerge from Stalinist isolationism is heralded by them as a return to Leninist principles of foreign policy, and significantly Soviet literature on the economic offensive has quoted Lenin's statement on identification with the national independence movements of the former colonial territories, viz., "We will apply all our force to become close to and to unite with the Mongols, the Persians, the Indians, and the Egyptians. We consider it to be our obligation and to *our interest* to do this because otherwise socialism in Europe would be unstable." (italics Lenin's)[1]

To accomplish this objective, the Soviet economic deals are fitted into the context of broader political activities in the area, such as espousing and supporting Arab, Indian, Afghan, and Indonesian political objectives. As an immediate accomplishment, the Soviet economic offensive has already introduced thousands of bloc technicians into the less developed countries and brought thousands of technicians from those countries to the U.S.S.R. This in itself is an important step in gaining goodwill and influence and in impressing key groups in these countries with the "friendly and sympathetic" attitude of the U.S.S.R., with the image of the U.S.S.R. as a country supposedly free of racial discrimination (a point of considerable interest in the less developed countries), and with the considerable technological and industrial achievements of the U.S.S.R. under socialism.

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[1] Lenin, *Sochinenya*, vol. 23, p. 55, quoted in Rubenstein, M., "Several Economic Questions of the Underdeveloped Countries," *World Economy and International Relations*, No. 3, September 1957 (title and name of journal translated from Russian).

Enhanced influence and goodwill gained in this fashion can also be achieved through cultural exchanges, and indeed such a program is actively being carried on by the bloc. But economic aid lends substance to the campaign, which, as a whole, would have been considerably less effective if the vital field of aid to economic development, which is of such dominant concern to these countries, had been left exclusively to the West.

Encouragement of Anti-Western Neutralism

Closely allied with the immediate and general objective of establishing Soviet influence in the target countries and gaining their goodwill are the more specifically anti-Western but equally immediate objectives of encouraging neutralism, lessening Western influence, exacerbating free-world tensions, and undermining free-world alliances and alinements.

The bloc's economic offensive furthers these general goals by making neutralism seem to pay. Bloc economic aid and trade, insofar as they are, or promise to be, beneficial to the recipient country, strengthen the hand of those groups which favor a politically neutralist position or one of closer alinement with the bloc, and counter the arguments of those who point to the economic disruptions and disadvantages which have frequently followed from anti-Western politics. Programs of economic and military assistance have already done much to support Soviet policy in such key countries as Egypt and Syria, where recent events have radically altered the political scene.

The Soviet leaders may consider that it is sufficient that Soviet economic, technical, or military assistance may be available to encourage a country to adopt a specific anti-Western policy or take a specific anti-Western action which would involve economic difficulties. The Egyptian nationalization of the Suez Canal and the Indonesian campaign against Dutch interests are cases in point. It is significant in this connection that at the recent Afro-Asian Peoples' Solidarity Conference at Cairo, the Soviet delegate urged upon the less developed countries a policy of nationalization of foreign interests in the full knowledge, of course, that such action would tend to disturb relations between Western and less developed countries.

At this early date in the bloc offensive, there is no clear evidence that the U.S.S.R. has used its aid to require a recipient country to adopt a specific policy or to take a specific action, as for example, by the threat of the withdrawal of Soviet aid. In most cases the use of the economic weapon is more subtle, encouraging the recipient to adopt positions or take actions which would otherwise be too costly or dangerous. This has been especially true in the Arab countries. In other areas, such as Latin America, where the U.S.S.R. cannot reasonably have hoped to change materially the basic foreign policy orientation of target countries through its economic offensive, the U.S.S.R. probably will consider its efforts well spent if they serve to increase Soviet respectability and encourage friction in the good relations of these countries with the United States. Thus far, it has been feasible for the Soviet Union to promote anti-Western manifestations of "neutralism" through trade and aid programs, despite the fact that such programs are frequently on a small scale.

Support to Specific Propaganda Objectives

The specific propaganda points which the U.S.S.R. seeks to hammer home to the less developed countries are woven into its economic offensive. In the field of psychological warfare—"the struggle for men's minds"—the U.S.S.R. hopes to use the politically articulate elites of Asia and Africa by posing as the benevolently disinterested "brother" and champion of the less developed countries in their struggles for economic development and "independence" against the alleged machinations of the "imperialist West." Through its economic programs, the bloc seeks to identify itself with the powerful current of nationalism sweeping not only the former colonial regions but also the Latin American countries and to create the impression of Soviet interest in the closely related and no less intense desire of these countries for rapid economic development, particularly industrialization. The governing groups in these countries consider economic improvement to be necessary not only for the solution of internal problems but also for the attainment of greater international status and prestige and have committed their political fortunes to this end. It is apparent that the bloc is striving to channel these powerful forces against the West.

In doing this, the propaganda side of the economic offensive plays on the following deep-rooted sentiments in the less developed countries, and the existing Soviet programs tend to lend credence to the propaganda claim, especially among less sophisticated and biased groups in the target countries.

The Desire for Economic Development and the Rise of Living Standards. This sentiment is generally translated into the desire for industrial development; the factory has become an almost irrational symbol of economic progress in many newly developing countries. Soviet propaganda distorts Western statements about the desirability of balanced growth which emphasize the complementary need for the development of agriculture, natural resources, and other elements of economic progress which may be less spectacular than new manufacturing plants. The U.S.S.R. in its propaganda claims to encourage industrialization and to lend material assistance to its achievement. The thesis is that industrialization, especially "production of the means of production," is the only guaranty of true economic independence of each country. The U.S.S.R. points to its own emergence from backwardness to indicate a supposed community of interest with the less developed countries.

Dissatisfaction With the Terms of Trade. The less developed countries, which are highly dependent on raw materials exports, are frequently dissatisfied with world market prices. The Communists play on this sentiment, portraying the situation as the result of deliberate manipulation by "imperialist monopolies" with the object of maintaining the less developed countries in "slavery" and of preventing them from developing their own industrial production. The Soviet Union, on the other hand, claims that the nature of the Socialist economy is such that it has no inherent need to "subjugate" underdeveloped countries. Consequently, it can offer what it calls "just" prices for raw materials and it can follow up in selected cases with favorable deals when a country is faced with marketing difficulties for its raw materials

(e. g., the Burmese rice and Egyptian cotton deals). On the other hand, it sometimes resells these same commodities in the world market to gain needed convertible exchange. This option will, of course, continue to remain open under the Soviet's state-controlled trading system.

Dissatisfaction With the Terms of Western Aid. Soviet propaganda attacks the interest rates on Western loans and credits which are characterized as a means of "exploiting" the less developed countries and keeping them in "economic bondage." It also plays heavily on the theme that Western economic assistance is accompanied by political strings which infringe the sovereignty of the recipient country. Soviet aid is portrayed, by contrast, as generous in its terms and "without strings" (see Chapter IV). To the extent that the West increases its aid or makes its terms more attractive, Soviet propaganda claims that the change is a reaction to the Soviet's program.

Soviet Economic Prestige. Finally, also in the realm of ideas, the U.S.S.R. through its economic programs seeks to publicize its emergence from relative backwardness to a position of economic power. This is part of a broader campaign designed to emphasize the economic superiority of the Soviet type of economy for rapid development and, at the same time, to underline Soviet overall power. As one Soviet writer put it, the current economic offensive is "a new form of the economic competition between the two systems but one which takes place in the territories of countries having a majority of the human race." [2]

Eventual Communist Domination

The points discussed above refer to the near term or proximate objectives of the bloc's economic offensive. World political domination, of course, remains the ultimate Soviet objective, but the present phase probably does not contemplate early "satellization" of even the principal target countries; and it is unlikely, in any case, that a take-over could be accomplished by strictly economic means. However, to the extent that the bloc becomes a major trading partner or plays an important role in a country's development, it may conceivably bring about such a degree of economic dependence as to create important political leverage. The ability of the Soviets to use economic threats to force a country to take actions against its own desire would be problematical since the nationalist feeling that this would evoke might well be stronger than the weapons employed. The failure of the bloc's economic embargo against Yugoslavia is a case in point. Such overt pressures are particularly apt to be avoided in instances where the bloc feels the country can and will turn to the Western alternatives.

Eventually closer economic ties are expected to facilitate espionage and subversion in target countries in view of the large number of bloc technicians and indoctrination through training, but in most cases the U.S.S.R. and other bloc members have apparently been careful, thus far, to administer their foreign economic activities on a "correct" basis. In the current phase of the offensive any other approach would be counterproductive, and the U.S.S.R. will probably be satisfied with attaining interim objectives considerably short of political domination.

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[2] Rubenstein, *ibid.*

The U.S.S.R. evidently expects that close economic ties with the less developed countries will eventually strengthen domestic pressures for Soviet-type governments. Mr. Khrushchev, on the occasion of his Asian trip in November–December of 1955, stressed the superiority of communism as a key to economic development. At the recent Afro-Asian solidarity meeting, the Soviet delegation repeatedly pointed to the U.S.S.R.'s experience in economic development as a model to all less developed countries. It is also significant that virtually all Soviet aid to date has gone into projects for the government-owned sector of the economies of the recipient countries. As one Soviet writer put it:

> The great successes of the socialist countries exert a great influence on the peoples of the underdeveloped countries, strengthen the ideas on authority of socialism among different progressive factors of the population, which have decisively declared themselves against capitalism. In connection with this in many underdeveloped countries there is manifested a striving for the predominant development of state-owned industry as the basis of economic development. . . . The active intervention of the state in economic life creates the prerequisites for a planned economy in the state-owned sector.[3]

And the Soviet view of the possible consequences of this was spelled out by another writer:

> Where will the further development of state ownership of the most important means of production lead—this will depend upon the correlation and struggle of class forces. In certain conditions this may become the material basis for the peaceful transformation to socialism.[4]

Thus the U.S.S.R. probably does not feel compelled to stimulate industrial growth to the point where a politically powerful proletariat would exist to achieve the Socialist revolution. Although the Marxist view is that the revolution will occur in the last stages of industrial capitalism, the Communist take-over has generally come in relatively underdeveloped countries which had only recently embarked on development under capitalism or a mixed economy. The class which the U.S.S.R. is playing for is not the as yet insignificant industrial proletariat in these countries but what the Soviets call the "national bourgeoisie," which is considered to be a potential ally in the vulnerable, early stages of capitalism.

> The national bourgeoisie, to the extent that it is interested in the strengthening and development of sovereign national states cannot but recognize that the countries of the socialist system are actually the hoped for support of their national independence. . . .[5]

It is this politically articulate group which the U.S.S.R. hopes to influence by the economic offensive. Thus Soviet policy of aid to the less developed countries for the accomplishment of proximate advantage in the cold war is not inconsistent with the traditional objectives of Communist revolutions and eventual take-over of the target countries.

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[3] Osipov, U., "Economic Collaboration of the Countries of the Socialist Camp with the Underdeveloped Countries of Asia and the East," *Financi SSSR*, No. 8, August 1957.

[4] Rubenstein, *op. cit.*

[5] Zhukov, E., "40 Years That Decided the Destiny of Colonialism," *World Economy and International Relations*, No. 4, October 1957.

The "Crisis of Capitalism"

Another important facet of long-range Communist strategy is that of aggravating the "crisis of capitalism." This is an important aspect of Leninism, which is the guiding ideology of the U.S.S.R. According to Leninist theory, the "inevitable downfall of capitalism" is preceded in its last stages by the phenomenon of imperialism. In the struggle to stave off the ultimate collapse brought about by their "internal contradictions" the capitalist countries attempt to acquire colonies, which are an important outlet for surplus capital and production and an indispensable source of raw materials. That is why Lenin advocated the support of "national liberation" movements in the colonies and dependent areas.

In the current Soviet ideology, the loss of colonies by various European nations following World War II is described as both a symptom and a cause of the decline of Western capitalism, a decline which the West is allegedly trying to overcome by attempting to maintain and reassert its economic domination. Insofar as the less developed countries succeed in their attempts to achieve economic independence, it is claimed that the West will be further weakened, both politically and economically. The existence of the Socialist market is characterized as helping the less developed countries to reduce their economic dependence on the West. In this context, anything the bloc does to support these countries or to exacerbate these tensions is considered to "give history a push" in hastening the decline of Western "imperialist" capitalism.

> The disintegration of the colonial system shakes the bases of imperialism. It is a result of the general crisis of capitalism, and in its turn, further deepens this crisis.[6]

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[6] Varga, E. "Of the Tendencies of Development of Contemporary Capitalism and Socialism," *ibid.*

III. BLOC CAPABILITIES

The U.S.S.R. and other bloc countries undoubtedly have the economic and technological capability to carry out economic assistance programs of considerable scope. They certainly are capable of executing the programs to which they are already committed. And substantial expansion on a selective basis would also be possible without unduly severe strain.

Bloc Economic Growth

The rapid growth of Soviet economic power is a matter of record; future growth is likely to be at a relatively fast rate, even if slower than in the past. In recent years the U.S.S.R. has achieved an average increase of possibly as much as 7 percent yearly in gross national product, which is now estimated at some $170 billion. Of this, industrial production constitutes $68 billion, making the U.S.S.R. the second largest industrial power in the world. Industrial growth has averaged 9 to 10 percent annually in recent years; this will probably decline somewhat in the coming few years, though the industrial product 5 years hence may be 50–60 percent above that of 1957. For the same 5-year period the Soviet gross national product will probably increase by 6 percent annually.

In the East European satellites the rates of growth of GNP and gross industrial production were slightly below those of the U.S.S.R. For 1957 the total GNP generated in the East European area is estimated at some $65–70 billion, with industry contributing approximately 40 percent. Almost 85 percent of the total originated in the three most industrialized countries—Czechoslovakia, East Germany, and Poland. Communist China, with a less developed industrial base, has attained greater percentage increases in production. Even if the claimed 130 percent increase in industrial output for the 5-year period ending in 1957 is discounted as extravagant, there is no doubt that notable advances have been made, particulary in heavy industry. However, Communist China's GNP is on the order of only $40 billion, and its agriculture has barely kept pace with the rapid growth of population.

Though Soviet foreign trade has been increasing rapidly, it is still small enough in relation to total Soviet production to allow the U.S.S.R. to increase substantially its foreign trade without radical changes in the structure of the Soviet economy or in the fundamentals of Soviet economic philosophy. In 1957 total Soviet foreign trade turnover amounted to over $8.25 billion. In 2 years it had increased by 25 percent, and the U.S.S.R. became sixth in rank among the trading nations of the world. However, exports, roughly half of this amount, account for about 2.5 percent of Soviet GNP, still a comparatively low figure (and about one-half of the United States ratio). Over two-thirds of this trade was with the other bloc nations.

The U.S.S.R. and other bloc nations possess, therefore, a potent economic base from which to expand their economic drive in the less developed countries. In view of the importance attached by the U.S.S.R. to this offensive in terms of its expected political rewards, there is no reason to think that the Soviet Union or other bloc countries have come to the end of the road in pushing their credit and trade deals. The U.S.S.R. can certainly sustain the relatively small annual drain implied in its present commitments for assistance, which will be utilized by the recipient over periods as long as 7 years in some cases. It can even substantially increase these. Though additional commitments must be made by the U.S.S.R. on a selective basis, the U.S.S.R. is capable of incurring these, even in cases where they are economically burdensome, to shoot for greater political gains.

Limitations

No country, of course, has unlimited capabilities for economic assistance, and the U.S.S.R. is no exception. Some of these limitations are peculiar to the U.S.S.R., however, and affect the extent to which the U.S.S.R. will be able or likely to push this economic offensive. These limitations bear also in varying degrees on the satellites and Communist China, sometimes less and sometimes more acutely. The enormous burden in terms of men and resources required to develop and maintain the huge Soviet military establishment is the most obvious and important limitation on Soviet capability to engage in foreign economic assistance. Other limitations inhere principally in the great demand for investment goods in the bloc and the consequent limited availability of these products in quantity for export purposes.

Soviet Domestic Demands for Capital Resources

Since the end of the twenties the Soviet economy has been subjected to a forced industrialization, aimed at the most rapid development of the industrial economy and of the military machine which rests upon it. The high rates of industrial growth have, however, declined in recent years, and Soviet plans have recognized this condition. The U.S.S.R. claimed a yearly increase of over 13 percent in industrial output in 1951–55. (This official Soviet figure is higher than the Department of State estimate given above.) The Five-Year Plan for 1956–60 involved a scaling down of the projected yearly increase to less than 11 percent. The annual plan for 1956 called for a 10.5 percent increase and that for 1957 a still further reduction to 7.1 percent. These reductions led to the unprecedented abandonment in September 1957 of the whole Five-Year Plan. The drastic reorganization of industrial management initiated in the spring of 1957 and a succession of radical measures in agriculture testify to the continued concern of Soviet leaders over the decline in growth rates. How successful the Soviet Union will be in maintaining high rates of growth is open to question. It is the up-to-now neglected sectors such as agriculture, housing and civic facilities, consumer-goods manufactures, and transportation that are making new demands on Soviet investment capacities; investment in these sectors is less "reproductive" than investment in heavy industry. The situation has been further complicated by various factors: a manpower shortage stemming from the reduced birth rate during the war years and the commitment to reduce the workweek; by the necessity of exploiting lower grade ores; and by the need to invest in increased amounts to cover replacement of capital equipment owing to insufficient retirement of obsolescent equipment in previous years.

Soviet Aid to Bloc as Limitation on Direct U.S.S.R. Economic Assistance to Underdeveloped Countries

Since 1956 Soviet capabilities for contributing directly to the bloc economic offensive in underdeveloped countries have also been affected by changes in relations with the satellites and by Soviet efforts to reestablish bloc cohesion in Europe. The earlier pattern of economic exploitation of the satellites has been alleviated, so that by 1957 they may have become a net drain on the

TABLE 1. *Soviet Economic Assistance to the Bloc, Calendar Years 1956 and 1957*

(Millions of U.S. dollars) [a]

Recipient countries	Credits					Cancellation of debts	Grants	Other economic assistance
	Total credit	Development credit	Commodity credit	Currency credit	Unspecified credit			
Albania	47.75	40.00	7.75	------	------	105.50	------	------
Bulgaria	142.50	67.50	75.00	------	------	------	------	------
Czechoslovakia	------	------	------	------	------	------	------	------
Communist China [b]	------	------	------	------	------	------	------	------
East Germany	280.00	------	100.00	180.00	------	------	------	[c] 364.00
Hungary	293.75	[d] 75.00	158.75	60.00	------	170.00	10.00	57.5–[e] 59.5
Mongolia	50.00	[f] 50.00	------	------	([g])	------	75.00	------
North Korea	42.50	------	------	------	42.50	------	141.00	------
North Viet-Nam	------	------	------	------	------	------	[h] 50.00	------
Poland	300.00	------	[i] 300.00	([i])	------	525.00	------	[j] 60.00
Rumania	103.50	67.50	[k] (36.00)	------	------	717.00	------	([l])
Total	1,260.00	300.00	677.90	240.00	42.50	1,517.50	226.00	------

[a] Only new officially acknowledged and publicly reported agreements have been included in this table.

[b] Communist China reported to have received loans of $58 million, but these probably were on account of earlier credit arrangements.

[c] Amount of annual reduction of East German contribution to maintenance of Soviet occupation troops.

[d] Also Hungarian uranium mining development credit of unspecified amount.

[e] Postponement of repayment of earlier credits to Hungary worth $37.5 million and $20–22 million readjustment of cost of Soviet noncommercial use of Hungarian transport.

[f] Additional development credits of unknown value.

[g] Mongolia must pay for Soviet properties transferred by the U.S.S.R.

[h] Aid deliveries in 1955–56.

[i] Poland also was to receive a small amount of gold of unknown value.

[j] Soviet payment for use of Polish rail transit facilities.

[k] Estimated value of grain credit.

[l] Repayment of unspecified credits postponed.

U.S.S.R. In 1956-57 about $1.5 billion in long-term credits and grants—mostly for early utilization—was extended by the U.S.S.R. to other members of the bloc (see Table 1, p. 16). In addition, the U.S.S.R. canceled debts worth more than $1.5 billion and made other forms of concessions, adjustments, and postponements. Although the U.S.S.R. claims to have given credits worth 21 billion rubles ($5.25 billion) prior to 1956, throughout most of the postwar period Soviet-satellite economic relations were marked by a high degree of Soviet exploitation of the satellite economies. Soviet economic assistance was for the most part sporadic, occasional, emergency in nature, and involved little drain on the Soviet economy. The economic aid granted to the satellites since 1956—and especially since the Hungarian revolt and the change of government in Poland in October 1956—has differed sufficiently in character as to constitute a new burden on the Soviet economy.

In addition to its credit program the Soviet Union must also provide much in the way of capital resources through trade channels to other bloc countries, especially China. Although still a net importer of machinery and equipment, even in its relations with the bloc, the U.S.S.R. claims in 1956 to have shipped machinery and equipment for 478 enterprises in other orbit countries.

The Cost of Foreign Aid

Despite the demands of the military effort, of domestic investment, of the neglected consumer sector, and of other bloc countries, the Soviet leadership has seen fit to impose the added burden of foreign aid commitments. Commitments incurred to date are substantial, although the annual burden is considerably less than the statistics might suggest inasmuch as deliveries are to be spread over a number of years. Several major Soviet credit agreements provide for drawings over periods as long as 5, 7, or even 8 years. Furthermore, as repayments on Soviet credits begin to increase, continuing aid of a given magnitude will represent a diminishing drain on overall resources. Soviet authorities will, of course, be faced with the necessity of making modifications in their internal economic plans in order to realize maximum economic benefits from such repayments.

Program Geared to Soviet Capabilities

Production in the U.S.S.R. is sufficiently great and variegated that a respectable variety of goods and services may be squeezed from the economy for export if political considerations require it. The U.S.S.R. attempts to minimize the domestic effects of its aid programs by utilizing goods and services in relatively less restricted supply to fulfill its foreign commitments. Because of unevenness in plan fulfillment and other causes, specific surpluses may develop and specific capacities may be underemployed—sometimes as a result of bottlenecks elsewhere in the economy.

Where a given project would have involved a significant drain on scarce Soviet resources, with the possible consequent threat to domestic industrial growth rates, the U.S.S.R. has rejected, stretched out, or postponed implementation. Examples include the aluminum complex in Yugoslavia and projects under the $126 million credit to India, which cannot be drawn upon until 1959. However, the "shopping lists" of the less developed countries contain such extensive and varied needs that the U.S.S.R. can provide many types of aid they urgently desire while still dovetailing the programs to Soviet domestic capabilities. In this way Soviet planners have been able to reduce the conflict between the claims of current domestic economic plans and those of foreign aid programs designed to further Soviet political objectives abroad.

A qualitative examination of the nature of U.S.S.R. commitments for aid and trade with the underdeveloped countries shows that, on the whole, the U.S.S.R. has thus far committed itself to a relatively limited range of machinery exports. These have included transportation, agricultural, and generating equipment. Road building and irrigation projects, hospitals, hydroelectric and irrigation dams, railroad and port construction, bakeries and silos, and laboratories have characterized Soviet projects to date. The U.S.S.R. is also stressing psychological showcase items such as nuclear research laboratories which have a broad popular appeal. Thus the U.S.S.R. in implementing its aid programs may choose to stress those projects which involve relatively heavier demands for Soviet engineers and technicians (who are available in substantial numbers) and equipment and materials which are in less short supply. Many Soviet projects also involve a relatively high proportion of local labor and materials.

Finally, the U.S.S.R. can virtually ignore domestic economic considerations in specific cases where it seems that the results would be sufficiently spectacular to justify such action. The Bhilai steel mill being built in India, which is unique in present Soviet programs, is an example of the U.S.S.R.'s readiness to divert scarce resources to its foreign aid programs even at the expense of some retardation of Soviet industrial growth.

Bloc Capabilities Expanded by Satellites' Contribution

In the field of industrial machinery and equipment, the U.S.S.R. can rely heavily on the export capabilities of its European satellites. Czechoslovakia and East Germany are traditional exporters of manufactured goods (including machinery and equipment) to the less developed countries in exchange for raw materials. The forced draft industrialization of the Stalinist period served to distort the economies of some of the European satellites, which now find themselves with top-heavy industrial capacities, marketing difficulties, and shortages of foods and raw materials. As a result, their economic motives for actively seeking trade with the less developed countries are stronger than ever. By contrast with the U.S.S.R., they have been active in offering these countries a wide range of capital goods, including complete industrial plants, both on regular commercial terms and on credit.[1] To the extent that such trade is financed by credits, it represents a temporary burden. Moreover, the satellites have been aided in extending credits to the less developed countries by Soviet credits to the satellites.

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[1] Examples include: Czechoslovakia—ceramic factories, petroleum refineries, textile mills, sugar refineries, tanneries, shoe factories, machine shops, cement plants, a tire factory; East Germany—flour mills, textile plants, cement plants, sugar refineries, and aluminum complexes; Poland—sugar refineries, ships, railway equipment, plants to manufacture electrical machinery; Hungary—flour mills, communications equipment, railway equipment, power plants; Rumania—oil drilling equipment.

That the U.S.S.R. can rely more heavily on the satellites in the economic offensive in the underdeveloped countries is seen by the recent amendment to the U.S.S.R.-Syrian aid agreement, which permits the utilization of U.S.S.R. credits for purchases in the satellite countries. Arrangements of this type will serve to relieve the pressure on scarce U.S.S.R. resources as well as to bolster satellite economies. Even in the trade field, a few of the more spectacular U.S.S.R. purchases of raw materials in the underdeveloped countries, e. g., Burma, were managed by a trilateral settlement involving Czechoslovak exports. Thus the satellite empire of the Soviet Union, while constituting a new burden on Soviet resources, can and does play a significant role in expanding bloc capabilities to wage the economic offensive.

In recent years even Communist China—despite its appalling internal problems—has actively entered the field of foreign aid. It has extended grants and credits to Ceylon, Nepal, Cambodia, Egypt, and Yemen. In the case of Ceylon the motivation was both political and economic; in the other cases, Communist Chinese assistance was extended almost entirely for political reasons. With large import requirements for its rapidly increasing industries, small though they still are, Communist China has to boost its foreign exchange availabilities, and it considers some credits, within the limits of its modest capabilities, a key to open new markets. Communist China's exports to the free world ran from $300 million in 1954 to $540 million in 1956 and a probably similar amount in 1957. Of total Communist Chinese trade turnover—planned at $4.2 billion in 1957—about 75 percent is with the Soviet bloc, and there is little likelihood of a significant change in this regard in the near future.

Capability of Furnishing Arms

With regard to arms deals—either on commercial terms or credit—both the U.S.S.R. and the satellites have the capacity to expand past operations substantially. While some of the military items provided include late model equipment, a considerable part has been obsolescent by Soviet military standards. These deals—even at comparatively low prices—did not impose substantial costs and may even have produced a net economic gain.

Capability of Furnishing Technicians

It is not possible to estimate precisely the number of technicians that could be sent abroad by the bloc countries. However, the bloc is capable of a substantial increase in its current technical assistance effort in view of the existing pool of trained manpower in the U.S.S.R. and the technical training currently taking place. Moreover, in an authoritarian state the assignment of personnel to support foreign programs involves relatively few recruitment problems.

In the U.S.S.R., official figures show that at the end of 1956, 720,900 engineers; 179,500 agronomists, veterinarians, and foresters; and 130,200 economists, statisticians, and commodity experts were employed in nonteaching jobs. To this group of 1,020,600 trained in higher educational institutions may be added 1,550,000 persons with secondary education in the same categories. Plans for 1956–60 indicate that the number of "specialists" with secondary or higher education in industry, agriculture, construction, and transportation will increase by an amount double the number trained in 1951–55, which could raise the total number employed by 30–50 percent. In some key categories the Soviet pool of specialists exceeds that of the United States and is growing at a much faster rate.

Capabilities Stemming From the System

Centralized economic planning and control, as well as the state trading monopolies that characterize the Communist system, facilitate the manipulation of foreign trade and aid programs. Decisions can be made on the diversion of resources from domestic to foreign assistance programs without legislative authorization. Decisions as to pricing and choices of products to be imported and exported can be made with respect to opportunities for political gain, with economic considerations relegated to second place. These factors combine to create the impression in the less developed countries that bloc programs have great flexibility and are conducted efficiently and expeditiously.

In the context of capabilities, it may be significant that, although Soviet domestic mass media have discussed the problem of "economic collaboration" with the underdeveloped countries, they have carefully avoided informing the Soviet people of the magnitude of total Soviet aid commitments. Moreover, while the Soviet publications have in a sense appealed to the pride of the population by accounts of some of the assistance rendered to key countries, they have toned down considerably for domestic consumption the accounts of the more sweeping and dramatic aid offers made abroad.

Bloc Capabilities and Future Prospects

To sum up, capabilities are relative to the size and character of the job to be done. The U.S.S.R. is the second greatest economic power in the world, and its capabilities in the economic field, despite recent signs of difficulty, are still growing at a rapid rate. Moreover, its capabilities are considerably abetted by the industrialized European satellites. The total bloc aid program can, therefore, be expanded considerably and extended to still more countries. Recent Soviet overtures suggest that the U.S.S.R. contemplates such expansion by extending credits to other countries rather than by substantially increasing commitments to countries which are already major recipients. Because of the nature of the U.S.S.R.'s political objectives, discussed in Chapter II, its programs do not require the substantial sums that would be necessary if the bloc were seriously concerned with promoting balanced, long-term economic growth in the less developed countries. Above all, the Soviet leaders have in the past clearly demonstrated their willingness to incur substantial economic costs to gain specific political objectives.

IV. THE NATURE OF THE OFFENSIVE

Assistance Programs

Magnitude and Recipients. Since 1954 the Soviet-bloc countries have concluded agreements with 14 of the less developed countries outside the Soviet orbit which provide for the extension of an estimated $1.9 billion in intermediate and long-term credits for the purchase of goods and services from the bloc. Of this total, about $378 million consisted of credits for the purchase of Soviet-bloc arms extended to Egypt, Syria, Yemen, and Afghanistan. The remaining $1.5 billion for economic purposes includes $464 million in credits to Yugoslavia, which, as a Communist country, represents a special case. Communist China is the only bloc country providing grants of any consequence. To date it has granted $55 million to Cambodia, Ceylon, Nepal, and Egypt (see Table 2, p. 23).

The U.S.S.R is providing about $1.3 billion of the total credits; the remaining $600 million is almost entirely accounted for by the satellites. Some of the major arms deals entered into by the latter quite obviously involved Soviet participation. As regards development credits, the U.S.S.R. has concentrated its activities in a relatively few major deals: $100 million credit agreements with Afghanistan and Indonesia; $132 million for a steel mill and another $126 million credit for India; a $110 million credit for Yugoslavia and $175 million (jointly with East Germany) for an aluminum complex; agreements of $175 million for Egypt and an estimated $168 million for Syria. The many nonmilitary credits granted by the satellites have involved, as a rule, amounts of only a few million dollars each.

The bloc maximizes the political and psychological impact of its program by concentrating its aid in a few key countries where situations exist that lend themselves to exploitation for the attainment of bloc objectives. Yugoslavia, India, Afghanistan, Egypt, Syria, and Indonesia have received more than 95 percent of the credits.[1] Iran, Turkey, and Iceland are notable examples of countries allied with the West which have been the targets of continuing bloc offers; all have accepted limited economic aid.

Utilization. The drawings under these credits will be spread over several years; in the case of the recent Syrian credit, for example, the program will extend over 7 years. As of December 31, 1957, an estimated two-thirds of bloc credits had been earmarked for specific projects or were under firm contract. However, only about 30 percent of the credits had actually been drawn, including most of the arms credits but only 10–15 percent of the economic credits.

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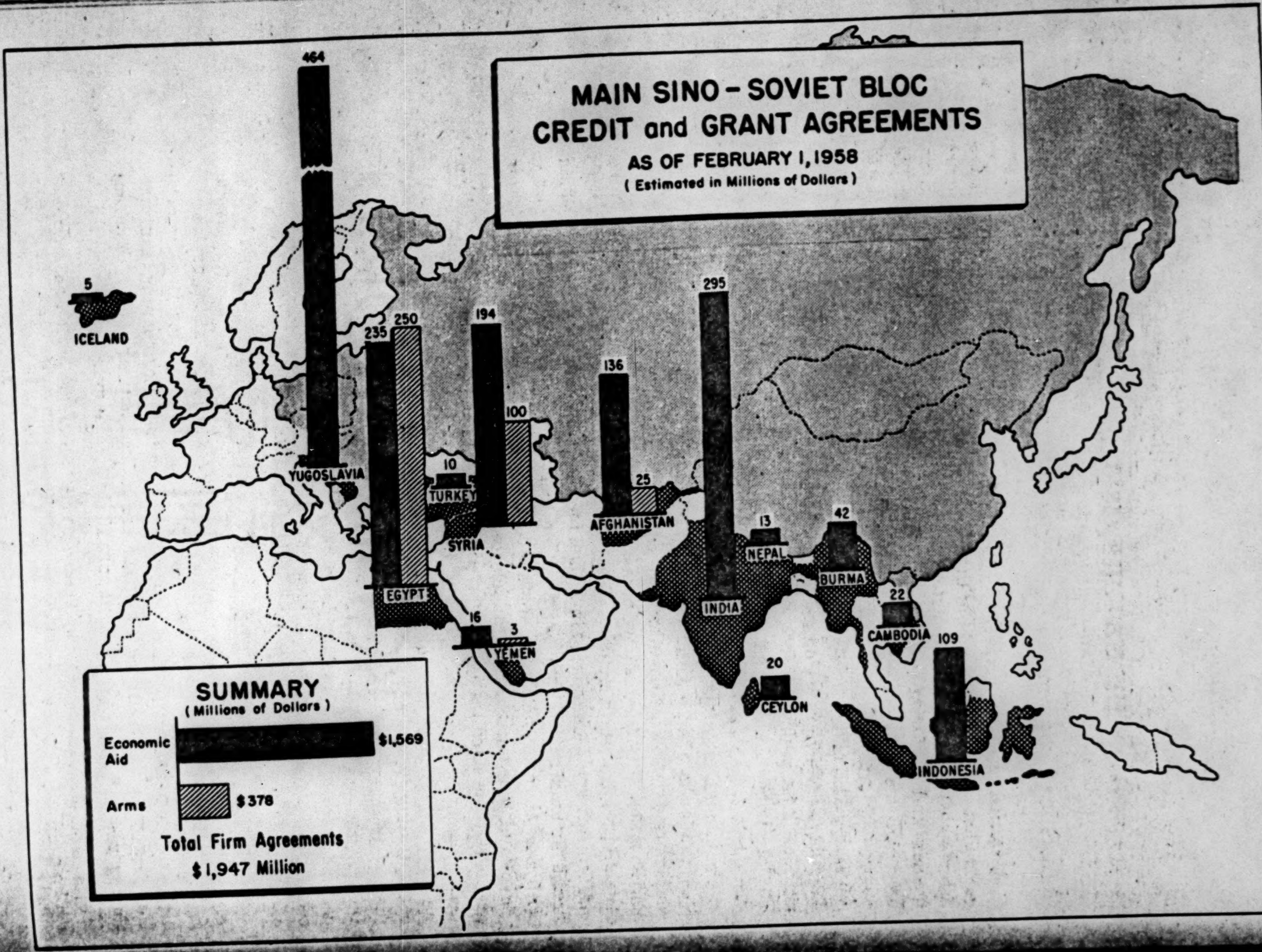
[1] The remainder is accounted for by Turkey, Yemen, Burma, Ceylon, Iceland, Argentina, and Brazil.



MAIN SINO-SOVIET BLOC CREDIT and GRANT AGREEMENTS

AS OF FEBRUARY 1, 1958

(Estimated in Millions of Dollars)

5
ICELAND
464
YUGOSLAVIA
235
250
EGYPT
10
TURKEY
194
100
SYRIA
16
3
YEMEN
136
25
AFGHANISTAN
295
INDIA
13
NEPAL
20
CEYLON
42
BURMA
22
CAMBODIA
109
INDONESIA
SUMMARY
(Millions of Dollars)
Economic Aid
$1,569
Arms
$378
Total Firm Agreements
$1,947 Million

TABLE 2. *Estimated Sino-Soviet Bloc Credits and Grants*[a] *to Less Developed Countries Through February 1, 1958*

(*Millions of U.S. dollar equivalents*)

Country	Total	Economic	Military
Grand Total	1, 947	1, 569	378
NEAR EAST AND AFRICA	808	455	353
Egypt	485	235	250
Syria	294	194	100
Turkey	10	10	--------
Yemen	19	16	3
SOUTH AND SOUTHEAST ASIA	662	637	25
Afghanistan	161	136	25
Burma	42	42	--------
Cambodia	22	22	--------
Ceylon	20	20	--------
India	295	295	--------
Indonesia	109	109	--------
Nepal	13	13	--------
EUROPE	469	469	0
Iceland	5	5	--------
Yugoslavia	464	464	--------
LATIN AMERICA	8	8	0

[a] Credits except for Communist Chinese grants of $22 million to Cambodia, $13 million to Nepal, $16 million to Ceylon, and $5 million to Egypt. Burma is receiving several "gift" projects from the U.S.S.R. but will make a return gift of rice to the U.S.S.R. over an extended period.

While a substantial amount of the required planning and survey work for projects is completed or well advanced, the major construction work actually under way so far on Soviet projects is in India and Afghanistan. A number of smaller satellite projects have been started.

Credits Rather Than Grants. Virtually all Soviet and satellite assistance is in the form of interest-bearing credits to finance specific development projects. The Soviets probably wish to give the impression of making businesslike deals, feeling that interest-free loans or grants arouse suspicion as to "strings" in the recipient countries. Obviously the prospect of repayment with interest, even if at a low rate, makes the assistance less costly to the U.S.S.R. Although economic return is a secondary consideration, the impression conveyed by the interest rate to public opinion within the bloc is that Soviet foreign assistance is "mutually profitable" and that the only reason the West charges higher rates is to reap "capitalist profits." The use of credits rather than grants also serves as a restraint on the volume of requests, enabling the U.S.S.R. from the outset to limit the overall scope of its aid program with minimally adverse political effects. Finally, since the use of credits implies that throughout the repayment period some of the exports of the debtors will be diverted away from the traditional markets in the West, the Soviets will be able to maintain continuing relations with the target countries.

Interest Rates. One of the features of Soviet credits to less developed countries which has attracted great attention has been the low interest rates, typically 2.5 percent. There is little information available on the terms of credit extended by the satellites, but a few of these have carried somewhat higher rates. The interest rate on Soviet credits is presumably motivated politically rather than based on economic calculations. These rates approximate the Soviet State Bank's domestic interest rates on short-term loans although the foreign credits are long term and for investment purposes. Soviet theory and practice do not even recognize the use of interest charges internally on investment capital. The chronically severe shortage of capital in the U.S.S.R. in relation to planned investment would undoubtedly impose a considerably higher rate than is used in Soviet foreign credits.

Interest rates on Soviet loans to less developed countries probably bear some relation to the rates charged on Soviet loans to the satellite countries, which are generally 2 percent and in several instances, e. g., the 1950 loan to Communist China, as low as 1 percent. These rates apparently provide the floor, while Western rates for comparable purposes impose a ceiling, which is approached only in the case of credits advanced by the satellites to the less developed countries. The U.S.S.R.'s interest charge of 2.5 percent to the less developed countries preserves the preferential status of the satellites, since as members of the "Socialist camp" they receive a rate which is lower, and at the same time satisfies the less developed borrowers, who are charged only one half of 1 percent more than members of the bloc.

Prices and Value. Major Soviet credit agreements have been expressed in terms of rubles, dollars, or local currencies of fixed gold content. The choice of currency is, in fact, immaterial to a calculation of the value to be received. The recent use in Soviet agreements with India, Syria, and Egypt of rubles of fixed gold content (i. e., at the official rate of 4 rubles to the dollar) is significant only from the point of view of Soviet prestige considerations.

Both foreign trade and foreign assistance programs are planned by the U.S.S.R. in physical terms and are carried on by state trade organizations with foreign countries in terms of world market prices, which are not correlated with Soviet domestic prices. In fact, one of the basic purposes of foreign trade monopolies in the Soviet bloc is to insulate the bloc domestic price systems from "capitalist" prices, i. e., the world market. These systems are manipulated to support domestic economic programs in the U.S.S.R. and other bloc countries.

The limited evidence available suggests that the Soviet bloc in general uses world market prices as a yardstick for its own prices in contracts with underdeveloped countries. In a few instances bloc countries have underbid the West on contracts that they were particularly eager to obtain. Where there have been occasional complaints that bloc bids were too high, the excessive prices asked may have stemmed from the difficulty of formulating bids on a unique and complex development project when no prior Western competition afforded a standard. In several such cases, the bloc bid has subsequently been reduced.

On the other hand, certain Soviet prices have been considered too high by some countries, such as Afghanistan. In some instances, the U.S.S.R. may quote high prices as a device to discourage foreign demands for specific goods it does not want to supply.

Repayment Terms. Many of the major Soviet credit agreements provide for annual negotiations in the future to establish lists, prices, and quantities of goods to be delivered in repayment, as well as the proportion of goods and convertible currency for each annual installment (see Table 3, p. 26). In view of the limited experience in regard to repayment of Soviet credits, it is not clear just what these provisions imply. They obviously leave a large area for later bargaining, which may become a source of friction, although the U.S.S.R. may also use the negotiations as an opportunity for politically motivated "generosity." The provision for annual agreements on goods accepted in repayment would seem designed, at a minimum, to protect the U.S.S.R. against local price rises not reflected in world price levels, and against having to accept goods unwanted or in unwanted quantities. By deferring to later bargaining the proportions of goods and convertible currency in the annual repayment, the U.S.S.R. will be in a position to demand a major portion in convertible currency if price rises make repayment in goods less attractive. Such a demand would be subject, of course, to the agreement of the debtor country, which might be caught, however, between acceptance of unfavorable prices and relinquishment of scarce foreign exchange. If the recipient country wants no more Soviet aid, its bargaining position is likely to be stronger. In this regard, the language of certain agreements is susceptible to an interpretation which would give the U.S.S.R. a unilateral option between goods and convertible currency; if this is the case, the U.S.S.R. would appear to be well protected against losses from price increases and by the same token to have a potent bargaining lever.

In its most recent deals, the U.S.S.R. has agreed to defer the beginning of the repayment process for any given project until completion of all deliveries. For the recipients of assistance this is attractive because it permits production to begin before payments are due.

Aside from political considerations, involving, for example, the playing off of alternative sources of supply against one another, the U.S.S.R.'s willingness to accept particular commodities from a debtor country in repayment is affected by its domestic supply situation. Although the U.S.S.R.'s economy continues to be plagued by scarcities, its willingness to accept commodities in repayment may vary considerably in accordance with the commodity in question. Some of the exports of the underdeveloped countries are of great importance to the Soviet economy (e. g., Indonesian and Ceylonese rubber), and the U.S.S.R. may even be willing to accept these commodities at higher prices that those of the world market in repayment for its credits. Other products can be absorbed but are of secondary importance to the Soviet economy from the planners' point of view (e. g., rice, cocoa, tea, coffee, raisins, and spices). Still others may not be easily absorbed either because the Soviet economy lacks sufficient processing capacity or has sufficient domestic supplies. Soviet programs to increase production at home of cotton, wheat, wool, and hides, for example, may limit, though they obviously do not exclude, imports of these products from Egypt, Syria, and Afghanistan.

TABLE 3. *Terms of Selected Major Credit Agreements of the Bloc*

Country, amount, and interest rate	Period	Means of repayment	Other repayment provisions
India–U.S.S.R. Feb. 8, 1955 $132.2 million (Bhilai steel mill) 2.5 percent interest	First payment due 1 year after each consignment; 12 annual payments	Rupees of present gold content	Utilizable "for purchase of goods and/or freely convertible into pounds sterling"; Reserve Bank of India and Gosbank will jointly fix technical procedure of settling this account.
Afghanistan–U.S.S.R. Jan. 28, 1956 $100 million 2.0 percent interest	First payment due in 8 years; 22 annual payments	"Afghan export goods"	Arrangements to be made by Gosbank and State Bank of Afghanistan
Indonesia–U.S.S.R. Sept. 15, 1956 $100 million 2.5 percent interest	First payment due 3 years after each fractional credit; 12 annual payments	Goods or sterling or convertible foreign exchange at rate of exchange of the dollar on date of repayment	On the basis of an advance agreement between Gosbank and Bank of Indonesia, "list of the goods to be delivered and quantity, price and time of delivery" determined by both sides 3 months before year of each payment
India–U.S.S.R. Nov. 15, 1956; implementation agreement Nov. 13, 1957 $126 million 2.5 percent interest	First payment due 1 year after entire enterprise; 12 annual installments	Rupees (presumably as Feb. 8, 1955, credit)	
Syria–U.S.S.R. Oct. 28, 1957 Estimated $168 million 2.5 percent interest	(as amended) First payment due 1 year after project completed; 12 annual payments	Goods or freely convertible currency at rate of exchange of ruble on date of repayment	In accordance with an agreement to be concluded between Syrian Central Bank and Gosbank; lists of goods, quantity, prices, and time of delivery settled 3 months before each year of payment.

TABLE 3. *Terms of Selected Major Credit Agreements of the Bloc*—Continued

Country, amount, and interest rate	Period	Means of repayment	Other repayment provisions
Egypt–U.S.S.R. Jan. 29, 1958 $175 million 2.5 percent interest	12 annual payments after project completed	(Presumably similar to Syrian)	
Syria–Czechoslovakia Mar. 16, 1957 $15 million (oil refinery) 3.0 percent interest	60 percent at specified times during construction; 40 percent in 7 years afterwards	23 percent Syrian lira; 77 percent sterling	

When the U.S.S.R. takes commodities of secondary importance to its economy or redundant to its needs at any given time, there is the possibility that it will resell these on the world market for convertible currencies. This may have occurred in the case of Egyptian cotton, Burmese rice, and Syrian wheat.

Administration of Aid Programs. Dramatic and well publicized visits and conferences of high-level officials have been used by the bloc to promote the economic offensive. In a number of cases, especially those involving the U.S.S.R., agreements in principle to provide assistance have been made by high ministerial and party officials in a blaze of publicity calculated to reap maximum propaganda advantage. These have been quickly followed up by the negotiation of general assistance agreements which ordinarily specify a total amount of credit and terms. They are either accompanied or quite rapidly followed up by the negotiation of further agreements which settle the types of projects to be undertaken. Thereafter, technical surveys are initiated and specific contracts signed. Since propaganda accompanies each stage, a multiple publicity effect is achieved.

The secrecy of policy decisions under the totalitarian system characterizes bloc aid programs. Public or legislative debate, which would air such subjects as Soviet motives or the situation in recipient countries, is unthinkable in the U.S.S.R. This is quite the reverse of the procedure in democratic countries, where foreign aid proposals are subjected to close and detailed public scrutiny.

In the U.S.S.R. the foreign assistance program is administered by the State Committee for External Economic Relations of the Soviet Council of Ministers. The establishment of this State Committee in July 1957 represents an upgrading of the assistance programs in the Soviet bureaucratic hierarchy. Most of the general agreements are negotiated by one of the four deputy chairmen of the State Committee; the composition of the Soviet delegations indicates that the State Committee coordinates the activities of other ministries in the foreign assistance program.

The State Committee is organized on both a geographical and functional basis. The existence of a Treaty-Legal Section and a Protocol Section indicates the importance and scope of its operations. Among the functional divisions are an Administration for Construction of Enterprises Abroad, a Section for Industry and Transport, a Section for Agriculture, a Section for Finances and Internal Trade, a Main Engineering Administration (probably the organization administering military assistance), and an Administration for Matters of Scientific-Technical Cooperation.

On a geographic basis, there are Sections for Europe, the "East," and "Underdeveloped Capitalist Countries." There are also Commissions for Scientific-Technical Cooperation for all the Sino-Soviet bloc countries except North Viet-Nam and Mongolia, plus Yugoslavia and Finland. Several foreign trade organizations which specialize in development projects have been transferred to the Committee from the Ministry of Foreign Trade. These organizations survey the actual projects, negotiate the contracts, and carry out the work.

While the activities of the satellites in the field of foreign economic aid are not on the scale of those of the U.S.S.R., they are of sufficient importance to require some coordinating machinery. In some of the satellites the Foreign Trade Ministries are the coordinating agencies of the foreign assistance programs. To date there is no official institutional framework for the bloc-wide coordination of the economic offensive. In some cases, notably the Czechoslovak arms credits to Egypt, such coordination was obvious. However, there have been cases in which bloc countries have competed against each other for specific projects.

The bloc generally implements its aid programs on a project basis without establishing an overall, centralized organization within the recipient country. The Soviet Embassy apparently serves as the point of contact for the technicians. Delegation of authority gives the appearance of flexibility, although the survey data on proposed projects must be referred back to Moscow for the drawing up of the blueprints. Use is also made in some instances of mixed commissions of representatives and technicians from each country concerned with implementing aid agreements and supervising operations.

Most aid provided by the bloc is earmarked for specific projects, and the necessary officials and technicians are sent to do particular jobs, after which they return home, except for a few who may remain to supervise operations. Bloc personnel, therefore, do not ordinarily get involved in follow-up problems.

Finally, in some countries (e. g., India) the U.S.S.R. is careful not to assume responsibility for organizing or managing the project. The Bhilai steel mill, for example, is an Indian project with Soviet specialists acting in staff capacities, and no Indian works for a Russian on that project. It is believed the U.S.S.R. will try to follow this pattern wherever practical, notably in such countries as Egypt and Syria. The aid agreement with Syria specifically states that Syria will organize all work related to the project. By such procedures, the U.S.S.R. doubtless hopes to minimize frictions in the recipient countries and particularly to avoid the appearance of foreign "domination." Moreover, any subsequent difficulties which arise can less easily be blamed on the bloc.

Military Assistance. Of the $378 million in bloc military credits, the bulk has gone to Egypt and Syria. For the most part such aid has already been delivered. Credits have been provided for training and arms, including the construction of airfields and naval installations in some cases. Military

A Soviet technician from Turkistan (left) at the site of a grain silo under construction by the U.S.S.R. at Pul-i-Khumri, Afghanistan.

assistance has been made available to four countries, all of which are involved in political difficulties with their neighbors. This military aid serves the purpose of increasing tensions in order to create a more receptive climate for the extension of Soviet influence. In its shipments of arms, the bloc does not require any commitment that the arms will be used only for defensive purposes.

Technical Assistance. Technical assistance provided by the bloc is closely related to its trade and credit activities and is not a separate program on a grant basis as is that of the United States. Over 2,300 bloc technicians spent a month or more in 19 less developed countries during the last half of 1957, while another 2,000 technicians and students from the less developed countries have gone to the bloc for study and training during the past year. Of these, 500 have enrolled in universities or for other advanced training.

Nearly 1,600 of the bloc technicians sent abroad were involved in economic development work (see Table 4, p. 30). All are paid for by the recipient government, but the majority are engaged on projects being partially financed by bloc credits. Bloc military specialists engaged in assembling bloc equipment and training local forces numbered about 800. Like bloc credits, technical assistance is highly concentrated. About 80 percent of all bloc technicians are found in Egypt, Syria, India, Indonesia, and Afghanistan. In general, the bloc has endeavored to select technicians appearing competent in their field of specialization. Language difficulties have created some problems, and the extent of contacts with the local populations varies from project to project. While bloc technicians have, on the whole, been careful to avoid the appearance of engaging in overt propaganda or subversive activities, which are the responsibility of other bloc personnel, this type of assistance as well as training programs in the bloc provide a valuable means for influencing the nationals of the less developed countries, especially the increasingly influential groups of scientists, technicians, and government administrators, in directions favorable to Communists.

Character of Bloc Aid Programs. There are serious disadvantages to Soviet aid for recipient countries as compared with Western credits. In utilizing Soviet credits for development purposes, the recipient is narrowly confined in choosing the goods and services that will be supplied. Even a "tied" loan from a Western country permits the recipient to shop in a market

TABLE 4. *Sino-Soviet Bloc Industrial, Agricultural, and Other Professional Specialists in Less Developed Countries* [a]

July–December 1957

Area and country	Total bloc
Total	1, 585
NEAR EAST AND AFRICA	565
Egypt	360
Greece	10
Iran	5
Sudan	10
Syria	110
Turkey	15
Yemen	55
SOUTH AND SOUTHEAST ASIA	915
Afghanistan	455
Burma	60
Cambodia	30
Ceylon	5
India	260
Indonesia	105
LATIN AMERICA	55
Argentina	50
Bolivia	([b])
Brazil	([b])
Chile	([b])
Mexico	([b])
EUROPE	
Yugoslavia	50

[a] Minimum estimates of personnel working on a contract basis for a period of 1 month or more. Personnel solely in trade promotion or military activities are excluded. Because of rounding, figures do not necessarily add to the totals shown. Numbers are rounded to the nearest five.

[b] One or two bloc specialists believed to be present.

composed of many private suppliers and to pick and choose from among a wide assortment of goods and services. Thus bloc credits result in binding important development projects to limited bloc sources of supply, with further disadvantages (discussed under the heading of The Trade Drive, below) looming as possibilities. For example, diversion of a country's exports to the bloc in order to repay the credits acts to deprive that country of its traditional free-world markets.

The psychological impact of the bloc aid program in recipient countries is due in large part to its novelty. This feature will, of course, diminish with the passing of time, and as recipient countries have the opportunity to appraise the real value of aid deals with the bloc. While bloc programs involve a variety of projects, an attempt has been made to emphasize those which will have great psychological effect. In particular, deals which have some manufacturing component lend credence in the less developed countries to bloc propaganda claims that its programs are aimed at achievement of rapid industrialization. Given the political nature of the bloc offensive, the propaganda reward is an important aspect.

The Trade Drive

Prior to 1953 the Soviet Union showed little interest in developing trade with the less developed countries. While the U.S.S.R., as a matter of policy, has always tried to maintain an overall balance in its imports and exports, the less developed countries were viewed largely as an occasional source of various types of raw materials not available within the Soviet orbit; for the most part the U.S.S.R. paid for these purchases by proceeds of sales to the industrialized nations of the West. Increasingly since 1953, trade offers—both on the export and import sides—have played a growing role in Soviet attempts to gain increased political influence. The U.S.S.R. and other bloc countries have stepped up both the tempo and scope of their trade promotion drive—sending out a large number of trade missions, pressing the conclusion of bilateral trade agreements, participating extensively in trade fairs and exhibitions, and stressing opportunities for expanded trade in their propaganda media. Although the foreign aid side of the economic offensive has received the most publicity in the free world, the Soviet's own statements have emphasized the trade aspect. For example, a leading Soviet economist has stated, "The most important form of economic cooperation of the U.S.S.R. with other powers, including the countries which are poorly developed in regard to economic relationships, is foreign trade. . . ." [2]

Value and Pattern of Trade. Total trade turnover of the bloc with less developed countries increased from $850 million in 1954 to $1.44 billion in 1956, or about 70 percent. Partial data for 1957 suggest that bloc trade with less developed countries probably rose by 20–25 percent over 1956, i. e., to at least double the level of 1954. Because Soviet and Communist Chinese exports have risen substantially more than imports from these countries, the trade deficit characteristic of earlier periods was converted to a surplus in 1956. A near balancing of trade probably occurred in 1957.

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[2] Alkhimov, V., "Cooperation between the U.S.S.R. and Economically Underdeveloped Countries," *Voprosi Ekonomiki*, No. 6, June 1957.

From 1954 through 1956, Soviet trade with these countries rose by $174 million, satellite trade by $294 million, and Communist Chinese trade by $126 million. Of total bloc trade with the free world, that with the less developed countries amounts to 27.5 percent in 1956. The trade of the individual bloc countries with the less developed countries is still a relatively small proportion of the former's total trade (including trade with bloc partners), but represents a considerably larger share of their trade with the free world. For example, in 1956 trade with the less developed area represented about 5 to 6 percent of Soviet total foreign trade but about 25 percent of Soviet trade with the free world. In the case of Communist China, trade with the area accounted for about 7 percent of total trade but 30 percent of trade with the free world. There are wide variations in the corresponding ratios in the European satellites, the highest percentages being attained in the case of Czechoslovakia—13 percent of total trade and 46 percent of trade with the free world (see table below).

In 1956 the European satellites accounted for about half of bloc trade with these areas (Czechoslovakia, 23 percent; the U.S.S.R., 26 percent; and Communist China, 22 percent). In 1957 the U.S.S.R. probably accounted for a somewhat larger share of the total due mainly to substantial purchases of a few raw materials. Nevertheless, the European satellites have been and will probably continue to provide the main force for the trade offensive.

TABLE 5. *The Geographical Pattern of Sino-Soviet Bloc Trade, 1956* [a]

(In millions of U. S. dollars)

	U.S.S.R.	Communist China	East Germany	Czechoslovakia	Poland	Rumania	Hungary	Bulgaria
Total	7, 280	4, 415	2, 750	2, 600	1, 876	(925)	950	515
Bloc	5, 405	3, 325	2, 005	1, 675	1, 134	(740)	590	440
Percent	74. 2	75. 3	73. 0	64. 5	60. 2	80. 0	62. 1	85. 5
U.S.S.R	------	2, 370	(1, 125)	(825)	513	445	226	(245)
Percent	------	53. 7	41. 0	31. 8	27. 5	47. 6	23. 8	(47. 6)
European satellites	3, 585	760	(760)	(710)	540	(280)	290	(195)
Percent	48. 8	17. 2	(27. 6)	(27. 3)	(28. 8)	(30. 3)	(30. 5)	(37. 9)
Communist China	1, 497	------	120	n.a.	80	n.a.	60	n.a.
Percent	20. 5	------	80. 0	------	4. 5	------	6. 2	------
Free world	1, 875	1, 090	735	925	726	(185)	360	75
Percent	25. 8	24. 7	27. 0	35. 5	39. 8	20. 0	37. 9	14. 5
Free world [b]	1, 585	1, 054	663	735	797	187	314	75
Less developed countries [b]	400	330	87	338	156	60	94	21
Less developed countries As percent of free world	25. 2	30. 3	8. 3	46. 0	19. 6	32. 0	29. 9	28. 0
Less developed countries As percent of total trade	5. 5	7. 5	3. 2	13. 0	8. 3	6. 5	9. 9	4. 1

[a] Statistics are from official statistics and statements of respective countries; figures in parenthesis are estimates.

[b] Statistics from U. S. Department of Commerce.

n. a.—not available.

While bloc trade promotion efforts have been widespread geographically, the major increases in actual trade with the less developed countries through 1956 were concentrated in a relatively few countries (see Tables 6 and 7, pp. 34 and 36). In fact, increased trade with five countries, Iceland, Egypt, India, Burma, and Yugoslavia, accounts for 82 percent of the increase in the bloc's trade between 1954 and 1956; 71 percent of the increase in exports, and 98 percent of the increase in imports. The magnitude of the latter figure is attributable in part to the fact that increases in bloc imports from these five countries coincided with a substantial decline in its imports from others among the less developed countries, notably Argentina, Uruguay, and to a lesser extent Ceylon.

An important share of the bloc's increase in trade with the less developed countries results from the rapid expansion of commerce with Yugoslavia following the political *rapprochement* in 1954. For example, $104.5 million of the $366.5 million increase in bloc exports to these countries in the 1954–56 period and $71.1 million of the $228 million increase in bloc imports is accounted for by Yugoslavia.

In addition to Iceland two other NATO countries, Greece and Turkey, had substantial increases in trade with the bloc between 1954 and 1956. Bloc trade with Indonesia and Malaya also showed a rapid rise in this period. Bloc trade with Syria showed a sharp percentage increase between 1954 and 1956 but still represented a minor part of Syria's total trade in the latter year. Preliminary information for 1957 indicates, however, that the bloc substantially increased its share of Syria's exports although the expansion of Syrian imports from the bloc was less marked.

There are wide variations in the percentage of the foreign trade of individual underdeveloped countries accounted for by the bloc. In 1956 exports to the bloc accounted for 10 percent or more of the total exports of Iceland, Yugoslavia, Egypt, Greece, Iran, Turkey, Burma, and Ceylon. Imports from the bloc were 10 percent or more of the total in the case of Iceland, Yugoslavia, Egypt, Turkey, and Burma (see Tables 8 and 9, pp. 37 and 38). While precise data are not available for Afghanistan, the U.S.S.R. alone claims to account for 35 percent of that country's foreign trade.

Commodity Composition of Bloc Trade. The U.S.S.R.'s exports to the less developed countries of the Middle East, South Asia, and Southeast Asia, according to Soviet statistics, consist primarily of rolled steel, petroleum and petroleum products, lumber, cement, cotton cloth, sugar, and wheat. The U.S.S.R. claims to have exported only $21.4 million worth of machinery and equipment (consisting to a large extent of automotive vehicles). Although five times greater than in 1955, these exports still did not constitute a very significant fulfillment of the propaganda claim of supplying the "means of production." This amount may have increased somewhat in 1957 and will probably become more significant when Soviet economic assistance credits are implemented. In more specific terms, however, the U.S.S.R. claims in 1956 to have accounted for 15 percent of Indian imports of rolled steel; 75 percent of Afghanistan's imports of petroleum products, 95 percent of its imports of sugar, 70 percent of its imports of cotton textiles, and 40 percent of its imports of automotive vehicles; 26 percent of Egypt's imports of petroleum, 42 percent of its imports of petroleum products, and 38 percent of its imports of wheat.

On the Soviet import side, the most important commodities received from these countries in 1956 were cotton, wool, raw hides, rubber, nonferrous metal ores, oilseeds, rice, tea, coffee, raisins, and spices. The U.S.S.R. claims to be the largest importer of Indian, Afghan, and Iranian raw hides; Egyptian cotton and rice; and Turkish cattle. It has purchased substantial amounts of Burmese rice, Moroccan citrus fruits, Indian spices, Afghan and Iranian cotton, wool, dried fruits, and oilseeds. In 1956 the U.S.S.R. obtained from the Middle East, South Asia, and Southeast Asia 100 percent of its imports of raw hides, jute bagging, and shellac, 97 percent of its imports of cotton, 74 percent of its imports of raisins, 37 percent of its imports of spices, 28 percent of its imports of rice, 20 percent of its imports of wool, citrus products, and tea. In addition, the U.S.S.R. buys significant quantities of sugar, cocoa, and rubber (including indirect purchases made in European countries).

TABLE 6. *Sino-Soviet Bloc Imports From Selected Less Developed Countries by Area and Country* [a]

1954–56

(Millions of U.S. dollars)

Area and country	U.S.S.R.			European satellites			Communist China			Total Sino-Soviet bloc		
	1954	1955	1956	1954	1955	1956	1954	1955	1956	1954	1955	1956
EUROPE												
Iceland	7.9	9.6	12.5	5.0	4.9	6.5	0.0	0.0	0.0	12.9	14.5	19.0
Spain	0.0	0.0	0.0	0.4	0.1	0.0	(b)	(b)	(b)	0.4	0.1	(b)
Yugoslavia	1.5	17.9	41.6	4.7	17.6	31.3	0.0	0.0	4.4	6.2	35.5	77.3
Subtotal	9.4	27.5	54.1	10.1	22.6	37.8	0.0	0.0	4.4	19.5	50.1	96.3
NEAR EAST AND AFRICA												
Egypt	5.4	20.2	16.0	39.5	61.4	99.0	11.4	24.5	24.2	56.3	106.1	139.2
Ghana	20.3	11.4	5.7	0.0	0.0	0.0	0.0	0.0	0.0	20.4	11.4	5.7
Greece	3.7	2.2	6.8	7.1	6.3	12.7	0.0	0.0	0.2	10.8	8.5	19.7
Iran	18.6	17.1	14.9	1.7	3.6	3.4	0.0	0.0	0.0	20.3	20.7	18.3
Iraq	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.0
Israel	3.1	1.7	1.6	1.3	1.7	3.1	0.0	0.0	0.0	4.4	3.4	4.7
Jordan	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.8
Lebanon	(b)	1.0	0.7	0.7	1.0	0.4	0.0	0.0	0.0	0.7	2.0	1.1
Morocco	0.6	1.7	0.2	2.3	7.7	4.5	0.0	0.0	0.0	2.9	9.4	4.7
Sudan	0.0	0.0	0.0	0.7	3.2	3.6	0.2	0.8	2.5	0.9	4.0	6.1
Syria	(b)	0.0	1.1	0.1	1.5	8.5	0.6	0.2	1.6	0.7	1.7	11.2
Turkey	5.2	5.2	6.6	50.0	63.4	53.4	0.0	0.0	(b)	55.1	68.6	60.0
Subtotal	57.0	60.5	53.6	103.4	149.9	189.4	12.2	25.5	28.5	172.6	235.9	271.5

TABLE 6. *Sino-Soviet Bloc Imports From Selected Less Developed Countries by Area and Country*[a]—Continued

1954–56

(Millions of U.S. dollars)

Area and country	U.S.S.R.			European satellites			Communist China			Total Sino-Soviet bloc		
	1954	1955	1956	1954	1955	1956	1954	1955	1956	1954	1955	1956
SOUTH AND SOUTHEAST ASIA												
Burma	0. 0	15. 2	11. 4	0. 0	10. 5	8. 9	0. 1	17. 5	14. 4	0. 1	43. 2	34. 7
Ceylon	0. 0	0. 0	0. 0	0. 3	0. 3	0. 3	46. 5	25. 5	38. 2	46. 8	25. 8	38. 5
India	5. 3	5. 2	22. 7	5. 3	3. 4	13. 7	8. 6	19. 0	13. 0	19. 2	27. 6	49. 4
Indonesia	0. 4	0. 0	([b])	6. 3	27. 7	11. 9	2. 3	6. 2	11. 7	9. 0	33. 9	23. 6
Malaya	([b])	0. 4	11. 5	10. 3	11. 5	22. 9	6. 4	4. 2	7. 8	16. 7	16. 1	42. 2
Pakistan	3. 6	([b])	0. 0	3. 9	5. 2	4. 5	26. 1	31. 7	15. 9	33. 6	36. 9	20. 4
Philippines	0. 0	0. 0	n. a.	0. 0	0. 0	n.a.	0. 0	0. 0	n.a.	0. 0	0. 0	n.a.
Thailand	([b])	0. 0	([b])	0. 1	0. 0	([b])	([b])	0. 0	1. 2	0. 1	0. 0	1. 2
Subtotal	9. 3	20. 8	45. 6	26. 2	58. 6	62. 2	90. 0	104. 1	102. 2	125. 5	183. 5	210. 0
LATIN AMERICA												
Argentina	36. 4	29. 7	16. 5	47. 7	54. 2	18. 6	0. 0	1. 0	0. 8	84. 1	84. 9	35. 9
Brazil	0. 0	0. 7	0. 0	21. 5	41. 3	38. 8	2. 6	4. 6	0. 7	24. 0	46. 6	39. 5
Chile	0. 0	0. 0	0. 0	2. 0	0. 3	([b])	0. 0	([b])	([b])	2. 0	0. 3	([b])
Colombia	0. 0	0. 8	0. 4	0. 0	0. 4	0. 3	0. 0	0. 0	0. 0	0. 0	1. 2	0. 7
Cuba	0. 8	36. 4	14. 2	0. 0	1. 3	3. 1	1. 2	0. 4	([b])	2. 0	38. 1	17. 3
Mexico	([b])	0. 4	0. 0	([b])	([b])	0. 1	([b])	0. 2	2. 0	0. 1	0. 6	2. 1
Peru	0. 0	([b])	0. 0	0. 0	([b])	([b])	([b])	([b])	([b])	([b])	([b])	([b])
Uruguay	0. 0	4. 6	0. 5	3. 8	5. 9	7. 4	([b])	0. 0	[c] 0. 1	23. 7	10. 5	[c] 8. 0
Venezuela	19. 9	0. 0	0. 0	0. 0	0. 0	0. 2	0. 0	0. 0	0. 0	0. 0	0. 0	0. 2
Subtotal	57. 1	72. 6	31. 6	75. 0	103. 4	68. 5	3. 8	6. 2	3. 6	135. 9	182. 2	103. 7
Total	132. 8	181. 4	184. 9	214. 7	334. 5	357. 9	106. 0	135. 8	138. 7	453. 5	651. 7	681. 5

Source: U. S. Department of Commerce.

[a] These data are based on the official trade statistics of the free-world countries involved, that is, the bloc imports indicated are the free-world trading partners' reported exports. Generally, free-world exports are reported on a f. o. b. basis. All values have been rounded to the nearest tenth of a million dollars. A "zero" entry indicates that no figure for trade is known, although some trade may have taken place. Because of rounding, figures do not necessarily add to the totals shown.

[b] Less than $50,000.

[c] Does not include wool known to have been shipped via the Netherlands, amounting to at least $6 million.

n. a.—not available.

TABLE 7. *Sino-Soviet Bloc Exports to Selected Less Developed Countries by Area and Country*[a]

1954–56

(Millions of U.S. dollars)

Area and country	U.S.S.R.			European satellites			Communist China			Total Sino-Soviet bloc		
	1954	1955	1956	1954	1955	1956	1954	1955	1956	1954	1955	1956
EUROPE												
Iceland	8.1	10.6	14.8	4.6	6.7	8.9	(b)	(b)	(b)	12.7	17.3	23.7
Spain	0.0	0.0	0.0	0.1	0.0	0.0	(b)	0.2	(b)	0.1	0.2	(b)
Yugoslavia	1.1	14.4	70.4	2.9	18.6	34.6	0.0	(b)	3.5	4.0	33.0	108.5
Subtotal	9.2	25.0	85.2	7.6	25.3	43.5	(b)	0.2	3.5	16.8	50.5	132.2
NEAR EAST AND AFRICA												
Egypt	6.7	6.6	22.7	19.5	28.2	42.9	0.8	0.9	11.1	27.0	35.7	76.7
Ghana	(b)	(b)	(b)	2.9	4.9	4.8	(b)	(e)	0.1	2.9	4.9	4.9
Greece	1.5	1.9	4.8	7.8	11.1	16.6	(b)	0.1	0.1	9.3	13.1	21.5
Iran	13.5	20.3	17.5	7.7	5.5	9.0	0.0	0.0	0.0	21.2	25.8	26.5
Iraq	(b)	(e)	(b)	3.7	5.1	6.3	0.0	0.1	0.0	3.7	5.2	6.3
Israel	6.5	4.8	0.4	5.3	5.7	3.3	(b)	(b)	(b)	11.8	10.5	3.7
Jordan	0.0	(b)	0.2	1.9	2.3	3.6	(b)	(b)	0.0	1.9	2.3	3.8
Lebanon	0.1	0.8	1.5	4.9	5.2	6.1	0.0	0.2	0.0	5.1	6.2	7.6
Morocco	0.3	0.1	0.1	2.6	3.7	4.6	11.1	19.0	19.8	14.0	22.8	24.5
Sudan	0.2	0.1	0.4	10.9	3.9	6.7	0.1	0.1	0.3	11.2	4.1	7.4
Syria	0.1	0.2	0.9	4.4	5.1	11.3	0.2	0.2	0.5	4.8	5.5	12.7
Turkey	3.4	8.3	5.2	41.6	83.0	54.2	(b)	0.0	0.0	45.0	91.3	59.4
Subtotal	32.3	43.1	53.7	113.2	163.7	169.4	12.2	20.6	31.9	157.7	227.4	255.0
SOUTH AND SOUTHEAST ASIA												
Burma	0.1	0.1	3.1	2.3	1.6	12.2	0.5	2.3	22.2	3.0	4.0	37.5
Ceylon	0.4	0.1	0.2	0.6	1.5	1.4	32.0	16.8	28.1	33.1	18.4	29.7
India	2.4	6.0	31.3	4.0	9.1	20.9	4.8	8.0	20.1	11.2	23.2	72.3
Indochina	(b)	(d)	(d)	0.4	(d)	(d)	8.9	(d)	(d)	9.3	(d)	(d)
Indonesia	0.6	0.2	0.3	11.2	30.2	14.2	3.5	9.9	30.2	15.3	40.3	44.7
Malaya	(b)	(b)	0.1	4.3	4.1	5.2	28.5	37.8	43.1	32.7	41.9	48.3
Pakistan	0.2	0.1	0.3	2.6	3.0	1.0	3.7	0.4	[e] 7.4	6.5	3.4	[e] 8.7
Philippines	0.0	0.0	0.0	0.2	(b)	(b)	0.9	0.4	(b)	1.1	0.4	(e)
Thailand	0.2	0.1	(b)	1.6	0.9	2.0	2.9	0.0	(b)	4.6	1.0	2.0
Viet-Nam	(f)	0.0	0.1	(f)	0.0	0.0	(f)	9.1	4.1	(f)	9.1	4.2
Subtotal	3.9	6.6	35.4	27.2	50.4	56.9	85.7	84.7	155.2	116.8	141.7	247.4

TABLE 7. *Sino-Soviet Bloc Exports to Selected Less Developed Countries by Area and Country* [a]—Continued

1954–56

(Millions of U.S. dollars)

Area and country	U.S.S.R.			European satellites			Communist China			Total Sino-Soviet bloc		
	1954	1955	1956	1954	1955	1956	1954	1955	1956	1954	1955	1956
LATIN AMERICA												
Argentina	36.7	32.2	26.7	40.0	71.4	28.5	(b)	0.0	0.0	76.7	103.6	55.2
Brazil	0.0	0.0	0.0	18.8	38.1	46.1	0.0	0.0	0.0	18.8	38.1	46.1
Chile	0.0	0.0	(b)	0.1	1.2	2.3	0.0	1.3	0.8	0.1	2.5	3.1
Colombia	(b)	0.0	0.0	1.4	1.2	1.2	(c)	(b)	0.0	1.4	1.2	1.2
Cuba	0.0	0.0	0.0	0.8	1.3	2.6	0.0	0.0	(b)	0.8	1.3	2.6
Mexico	(b)	(b)	0.1	1.0	1.0	2.0	0.4	0.3	0.6	1.4	1.3	2.7
Peru	0.0	(b)	0.0	(b)	0.1	0.6	0.1	0.1	(b)	0.1	0.2	0.6
Uruguay	(b)	0.1	3.2	2.5	2.4	7.4	0.0	(b)	(b)	2.5	2.5	10.6
Venezuela	0.1	(b)	0.1	1.6	1.9	2.5	0.1	0.1	0.1	1.8	2.0	2.7
Subtotal	36.8	32.3	30.1	66.2	118.6	93.1	0.6	1.8	1.5	103.6	152.7	124.8
Total	82.2	107.0	204.4	214.2	358.0	364.9	98.5	107.3	192.1	394.9	572.3	759.4

Source: U. S. Department of Commerce.

[a] These data are based on the official trade statistics of the free-world countries involved, that is, the bloc exports indicated are the free-world trading partners' reported imports. Generally, free-world imports are reported on a c. i. f. basis. All values have been rounded to the nearest tenth of a million dollars. A "zero" entry indicates that no figure for trade is known, although some trade may have taken place. Because of rounding, figures do not necessarily add to the totals shown.

[b] Less than $50,000.

[c] Less than $100,000.

[d] Beginning in 1955, trade statistics for Indochina are reported separately by the three independent countries of the area.

[e] This figure includes $6.9 million of imports from Communist China on government account, not reported in the statistics.

[f] Reported under Indochina for 1954.

TABLE 8. *Exports of Selected Less Developed Countries to the Sino-Soviet Bloc as Percent of the Countries' Total Exports*

Country	1956	1955	1954	1953	1947
Iceland	30.0	27.8	24.9	19.8	5.8
Yugoslavia	24.2	13.8	2.6	--------	52.8
Egypt	34.4	26.7	14.2	12.2	6.2
Ghana	2.4	4.2	6.3	4.0	2.0
Greece	10.4	4.6	7.1	6.3	5.8
Iran	16.7	9.5	18.2	12.5	5.0
Israel	4.6	3.9	5.2	3.4	1.8
Jordan	5.9	7.3	negligible	--------	----------
Lebanon	6.0	6.2	2.3	2.0	----------
Sudan	3.2	2.9	0.8	0.1	0.4
Syria	7.8	1.2	0.5	--------	----------
Turkey	19.6	21.9	16.5	7.4	7.2

Table 8. *Exports of Selected Less Developed Countries to the Sino-Soviet Bloc as Percent of the Countries' Total Exports*—Continued

Country	1956	1955	1954	1953	1947
Burma	14.3	19.0	negligible	1.3	7.3
Ceylon	10.6	6.3	12.3	15.6	negligible
India	4.0	2.2	1.6	1.3	4.6
Indonesia	2.7	3.6	1.2	0.5	1.0
Malaya	3.1	1.2	1.6	1.6	3.4
Pakistan	6.0	8.1	9.4	4.5	----------
Argentina	4.4	8.9	8.8	2.1	1.4
Brazil	2.7	3.3	1.5	0.7	4.3
Cuba	2.4	6.4	0.4	0.1	0.1
Uruguay	3.8	5.7	9.5	0.4	5.5

Source: U.S. Department of Commerce.

Table 9. *Imports of Selected Less Developed Countries From the Sino-Soviet Bloc as Percent of the Countries' Total Imports*

Country	1956	1955	1954	1953	1947
Iceland	26.3	22.2	18.3	8.6	6.9
Yugoslavia	23.0	7.5	1.2	--------	56.3
Egypt	14.4	6.8	5.9	7.7	4.0
Ghana	2.0	2.1	1.5	1.1	2.7
Greece	4.6	3.5	2.8	1.3	3.5
Iran	9.7	9.4	9.5	9.7	13.0
Iraq	2.0	1.9	1.8	3.1	1.8
Jordan	5.3	3.0	3.4	2.2	1.5
Lebanon	3.7	2.6	2.3	1.9	--------
Morocco	5.5	4.9	2.9	--------	--------
Sudan	5.7	3.0	8.0	2.4	0.9
Syria	3.9	2.8	2.5	3.3	--------
Turkey	14.6	18.4	9.4	5.5	6.4
Burma	18.9	2.3	1.5	1.3	--------
Ceylon	8.7	6.0	11.3	13.5	0.5
India	4.3	1.7	0.9	0.7	1.2
Indonesia	5.2	6.7	2.4	0.9	4.8
Malaya	3.6	3.4	3.2	3.8	9.3
Pakistan	3.1	1.2	2.0	1.2	--------
Viet-Nam	2.0	3.5	--------	--------	--------
Argentina	5.3	9.5	7.1	1.8	1.2
Brazil	3.7	2.9	1.1	0.8	0.6
Uruguay	5.2	1.1	0.9	0.4	0.7

Source: U.S. Department of Commerce.

The trade of the European satellites, in contrast to that of the Soviets, is characterized by the export of more machinery and equipment and other highly elaborated goods in exchange for raw materials and agricultural products. On the other hand, nearly 60 percent of Communist China's exports to the underdeveloped countries consisted of raw materials and food products, while these same classes of goods accounted for 80 percent of its imports from these areas. This trade pattern has remained approximately unchanged since 1953, although it is noteworthy that exports of manufactured goods rose from about $11 million to nearly $55 million. These manufactured goods consisted, in increasing amounts, of cotton textiles and other light industry products, cement, chemicals, and steel products. These changes indicate that the industrialization program being pushed in Communist China has had some impact on the trade with Asia.

Trade Agreements. The bloc trade offensive has been spearheaded by a campaign to expand its network of trade agreements with the less developed countries. These agreements establish the official framework and conditions for the conduct of trade. They usually express the willingness of both parties to engage in trade, establish the types of commodities to be exchanged, sometimes set target quotas for these items, and arrange for the means of payment—frequently through clearing accounts. Individual transactions within this framework are worked out by negotiation.

The bloc's bilateral trade and payments agreements with free-world less developed countries totaled 147 at the end of 1957 as compared with 49 at the end of 1953 (see Table 10, p. 40). Czechoslovakia led the list of bloc countries with 26 agreements signed; the U.S.S.R. has 20 agreements. On the side of the less developed countries, India had the most agreements with bloc countries (see Table 11, p. 41).

In its trade with the less developed countries, the Soviet Union generally seeks through trade agreements to maintain a bilateral balance. This is accomplished either by advance agreement as to the value of goods to be mutually delivered (e. g., with Afghanistan and Iran), or by agreement that the U.S.S.R. will use the proceeds of its exports for purchases in the importing country (e. g., with India). The U.S.S.R. also uses bilateral clearing accounts for this purpose (e. g., with Egypt, Syria, and Lebanon).

In 1956 about 99 percent of all Soviet exports to the less developed countries and about 80 percent of its imports from those countries was carried on with countries with which the Soviet Union had trade or payments agreements, or both. The balance on the import side consisted mainly of purchases of sugar in Cuba, rubber in Malaya, and cocoa in Ghana. With regard to the European satellites about 91 percent of their imports from and 85 percent of their exports to less developed countries involved countries with which they maintained trade or payments agreements, or both. The corresponding figures for Communist China were 76 percent of imports and 61 percent of exports.

It is difficult to make an overall judgment on performance under bloc trade agreements. About half of the agreements with the less developed countries do not provide for specific targets for volume, and in any event, sales contracts may be concluded outside the scope of the agreements. However, in most of the cases where trade targets have been stated, actual levels of trade have fallen short of the specified amounts. Nevertheless, the agreements are important as an indication of intentions and have generally been followed up by significant increases in trade. They have also had considerable propaganda value, particularly at the time of their first announcement.

TABLE 10.—*Trade and Payments Agreements in Force Between the Sino-Soviet Bloc and the Less Developed Countries, December 31, 1953–December 31, 1957* [a]

Area and country	Estimated number as of December 31, 1957		Estimated number as of December 31, 1956	Estimated number as of December 31, 1955	Estimated number as of December 31, 1954	Estimated number as of December 31, 1953
	Number	Increase over 1953				
SOUTH ASIA						
Afghanistan	4	3	3	2	2	1
Ceylon	6	5	6	3	1	1
India	10	6	9	8	8	4
Pakistan	4	4	4	0	0	0
Subtotal	24	18	22	13	11	6
SOUTHEAST ASIA						
Burma	7	7	8	6	1	0
Cambodia	4	4	2	0	0	0
Indonesia	9	6	6	6	6	3
Subtotal	20	17	16	12	7	3
NEAR EAST AND AFRICA						
Egypt	[b] 9	3	8	8	7	6
Ethiopia	1	1	1	0	0	0
Greece	7	2	7	7	7	5
Iran	4	0	4	4	4	4
Israel	5	3	5	5	5	2
Lebanon	8	7	8	4	3	1
Morocco	[c] 5	5	0	0	0	0
Sudan	4	4	4	4	0	0
Syria	9	8	8	4	1	1
Tunisia	3	3	0	0	0	0
Turkey	7	3	7	7	6	4
Yemen	5	5	3	0	0	0
Subtotal	67	44	55	43	33	23
LATIN AMERICA						
Argentina	5	0	5	6	6	5
Brazil	3	1	3	3	3	2
Colombia	2	2	1	1	0	0
Mexico	1	0	1	1	1	1
Paraguay	3	1	3	3	2	2
Uruguay	6	3	6	5	5	3
Subtotal	20	7	19	19	17	13
EUROPE						
Iceland	6	2	6	6	6	4
Spain	1	1	0	0	0	0
Yugoslavia	9	9	9	8	1	0
Subtotal	16	12	15	14	7	4
Grand total	147	98	127	101	75	49

[a] Insofar as possible this table attempts to show agreements known to be in effect on December 31 of each year. Due to incomplete data, however, the list also includes agreements which are assumed to have been tacitly renewed as well as newly signed agreements of uncertain date of entry into force.

[b] The Egyptian-North Viet-Nam agreement is not included since it enters into force on January 1, 1958.

[c] The Moroccan-Polish agreement is not included since it enters into force on January 1, 1958.

TABLE 11. *Trade and/or Payments Agreements Between the Sino-Soviet Bloc and the Less Developed Countries as of December 31, 1957*

Area and country	Albania	Bulgaria	Czechoslovakia	East Germany	Hungary	Poland	Rumania	U.S.S.R.	China	North Korea	North Viet-Nam	Total
EUROPE												
Iceland	-----	-----	TP	TP	TP	TP	TP	TP	-----	-----	-----	6
Spain	-----	-----	-----	-----	-----	TP	-----	-----	-----	-----	-----	1
Yugoslavia	TP	TP	TP	TP	TP	TP	TP	TP	TP	-----	-----	9
NEAR EAST AND AFRICA												
Egypt	-----	TP	TP	TP	TP	TP	TP	TP	TP	TP	-----	9
Ethiopia	-----	-----	TP	-----	-----	-----	-----	-----	-----	-----	-----	1
Greece	-----	TP	TP	TP	TP	TP	TP	TP	-----	-----	-----	7
Iran	-----	-----	TP	-----	TP	TP	-----	TP	-----	-----	-----	4
Israel	-----	TP	-----	-----	TP	TP	TP	P	-----	-----	-----	5
Lebanon	-----	T	TP	TP	T	TP	TP	TP	T	-----	-----	8
Morocco	-----	T	T	-----	T	-----	-----	T	T	-----	-----	5
Sudan	-----	-----	P	P	P	P	-----	-----	-----	-----	-----	4
Syria	TP	T	T	TP	T	TP	TP	TP	TP	-----	-----	9
Tunisia	-----	TP	TP	-----	-----	-----	-----	TP	-----	-----	-----	3
Turkey	-----	TP	TP	TP	TP	TP	TP	TP	-----	-----	-----	7
Yemen	-----	-----	T	TP	-----	T	T	T	-----	-----	-----	5
SOUTH AND SOUTHEAST ASIA												
Afghanistan	-----	-----	TP	-----	-----	TP	-----	TP	TP	-----	-----	4
Burma	-----	T	TP	TP	TP	-----	T	TP	-----	T	-----	7
Cambodia	-----	-----	TP	-----	-----	TP	-----	TP	TP	-----	-----	4
Ceylon	-----	TP	TP	-----	TP	TP	TP	-----	TP	-----	-----	6
India	-----	T	T	T	T	T	T	T	T	T	T	10
Indonesia	-----	-----	T	T	T	T	T	T	TP	T	T	9
Pakistan	-----	-----	T	-----	T	T	-----	T	-----	-----	-----	4
LATIN AMERICA												
Argentina	-----	-----	TP	-----	TP	TP	TP	TP	-----	-----	-----	5
Brazil	-----	-----	TP	-----	TP	TP	-----	-----	-----	-----	-----	3
Colombia	-----	-----	TP	TP	-----	-----	-----	-----	-----	-----	-----	2
Mexico	-----	-----	TP	-----	-----	-----	-----	-----	-----	-----	-----	1
Paraguay	-----	-----	P	-----	P	P	-----	-----	-----	-----	-----	3
Uruguay	-----	P	P	P	P	P	-----	P	-----	-----	-----	6
Total	2	13	26	14	20	22	14	20	10	4	2	147

TP—Trade and Payments Agreement.
T—Trade Agreement only. All payments are made on a cash basis and no clearing account is maintained.
P—Payments Agreement only. In some cases there are, nevertheless, commodities and quotas.

Other Trade Promotion. Another important form of bloc trade promotion is participation in trade fairs. It has been estimated that in 1955 the bloc spent about $9 million for this purpose in the less developed countries, nearly

$3 million in India alone. Czechoslovakia was the largest single exhibitor, with the U.S.S.R. next in importance. The U.S.S.R. has also staged a number of large-scale exhibitions, including those at Djakarta in 1954; Kabul, Izmir, Damascus, and Djakarta in 1956; and Cairo in 1957.

As part of the offensive, Soviet and other bloc countries have also become increasingly active in exchanging commercial, agricultural, and industrial delegations with less developed countries of the free world.

Assistance Agreements as a Factor in Future Trade. As previously indicated, the provisions of bloc assistance agreements constitute a strong continuing link between the bloc creditor and the recipient country. Over the next few years deliveries of equipment and supplies for bloc projects will raise trade considerably. Thereafter, to the extent that commodities are accepted by the bloc countries in repayment for credits, the bloc will become an increasingly important outlet for the major export products of the countries which have accepted its assistance. This relationship will extend for many years, particularly in the cases involving Soviet credits. Unless there are substantial increases in the production of major export commodities, the commitment of exports to the bloc will, of course, tend to reduce correspondingly the ability of the underdeveloped countries to purchase goods from the traditional free-world suppliers. Moreover, where heavy commitments to the bloc are involved, repayments may jeopardize existing trade channels and outlets in the free world, thus progressively increasing the debtor countries' dependence on the bloc and strengthening the Soviet's hand in dealing with them.

Character of Bloc Trade. The recurrent problem of many less developed countries in disposing of their principal export commodities in their traditional markets at prices they consider satisfactory has given the bloc opportunities to exploit trade relations as a tool of diplomacy. It has taken advantage of Burma's temporary rice surplus, Egypt's cotton disposal problem, and Iceland's difficulty in marketing its fish to increase its economic relations with these countries, and has recently tried to arrange a tie-in barter and aid deal for Sudan's cotton. Resentment of restrictive features of Western commercial policies is exploited by Soviet propaganda, which also plays upon the widespread feeling that the Western developed countries can somehow manipulate the terms of trade to the disadvantage of exporters of primary products. The bloc, with its Socialist economies, is pictured, by contrast, as willing and able to pay what it calls "just" prices and, despite its past record, to provide stable markets.

While bloc offers are tempting to countries faced with temporary marketing difficulties for their basic export products, and while the bloc has stepped in on several occasions to make significant bilateral deals, this type of trade with the bloc presents certain drawbacks, many of which may only become apparent to the country at some later time. Under this type of barter, the less developed country loses the valuable independence of choice of imports of goods and services necessary to economic development, which only trade with free-market countries affords. Furthermore, the expected improvement in the terms of trade may be illusory. In some cases prices for bloc goods have been higher than for those of traditional suppliers. For example, in Burma, a top level official publicly stated that the barter deal with the U.S.S.R. ultimately resulted in a 10 to 30 percent price disadvantage to his country. When the price of rice rose on the free market, Burma sought and finally obtained relief from the U.S.S.R. on its commitments and Burmese-Soviet trade fell off in 1956 and 1957. Uruguay accepted Polish coal at a considerably higher price than the world market in order to use its clearing balance with that country.

The U.S.S.R's willingness to provide types of goods in short supply internally has been confined mainly to cases in which political considerations were paramount. Thus, some of the less developed countries have found themselves with substantial export balances with the U.S.S.R. because the Soviets are unwilling or unable to provide the types of import goods which these countries wish to purchase. For example, Argentina and Burma both found themselves with substantial bloc trade credits which they could not use for the types and quantities of goods which they required. Moreover, while traditional Western suppliers have facilities for providing expeditiously the servicing and spare parts which are essential for most lines of machinery and equipment, there have been complaints against the U.S.S.R. in this regard.

Politically inspired bloc purchases at prices higher than those prevailing on the world market—and given the nature of the state trading system the bloc can offer such prices relatively easily—result in the diversion of trade and over time lead to the gradual drying up of traditional market outlets and export trade channels. This has already occurred to some extent in the case of Egyptian cotton. Moreover, while the bloc could absorb considerable quantities of imported food and raw materials if it wished to do so, large-scale purchases frequently present the bloc with at least short run problems of processing capacity, storage or utilization, not to mention the problem of balancing foreign exchange revenues and outlays. Such difficulties may explain why the bloc has offered for resale at discount prices in free-world markets commodities purchased from some of the less developed countries, for example, Egyptian cotton and Burmese rice.

There are still other drawbacks for countries using the bloc as a source of supply. These stem from the nature of Soviet-type planning systems, which are plagued by rigidities and inefficiencies, often acute in the trade field. The famous example of Soviet cement shipments to Burma, unloaded in Rangoon just before the monsoon season despite Burmese protestations, had its counterpart in Egypt, where a large cement order was not delivered until after the need for it had passed. Crude oil shipments to Egypt had a high sulphur content and damaged refinery facilities. Wheat shipments to Egypt were late in delivery and of lower quality than specified. East German cars and Soviet trucks had to be shipped back from Syria due to poor quality; complaints about Czechoslovak and Soviet automotive equipment were registered in Argentina, Greece, Afghanistan, and Indonesia. Complaints against bloc steel products were made in Egypt and Uruguay. Even bloc spokesmen have alluded, with typical double-talk, to Soviet failures of this kind. Thus, Khrushchev in his Kiev speech of December 24, 1956, stated that "constant control must also be exerted to insure that our industry fulfills on time and properly all orders placed by foreign countries."

Part Two

The Bloc Economic Offensive in Individual Countries

V. THE NEAR EAST

Egypt

Since mid-1955, Egypt has been a major target of the Sino-Soviet bloc economic offensive. However, there was already a historical basis of economic relations between the Soviet-bloc countries and Egypt, as evidenced by the fact that in 1938 approximately 10 percent of Egypt's total trade was with countries now comprising the Sino-Soviet bloc. As early as 1949 Egypt had bilateral trade agreements with several countries in the Soviet orbit, and in 1953 the U.S.S.R. signed its first payments agreement with Egypt. Through barter agreements signed in 1951 and 1953, bloc countries undertook to ship wheat to Egypt in exchange for cotton. The Soviet bloc significantly strengthened its economic ties with Egypt in 1954, during which year the U.S.S.R. and Rumania capitalized upon Egypt's price dispute with Western petroleum suppliers by signing the first of the barter agreements involving an exchange of petroleum products for cotton.

The Soviet-bloc economic offensive took more definite shape in 1955, as a consequence of Egypt's difficulty in marketing its cotton in the West and as an outgrowth of Egypt's desire for arms. The Egyptian economy depends heavily upon exports of cotton as its source of foreign exchange, and the poor marketing prospects in 1955 threatened to precipitate a serious deficit in Egypt's current international transactions. Soviet-bloc countries seized upon this situation as a means of strengthening their position in Egypt by offering to purchase much larger quantities of cotton. The desire for arms on the part of Egypt brought the Soviet-bloc offensive clearly into the open and led to the conclusion of the large Soviet-Egyptian arms deal of September 1955. The consummation of this agreement was facilitated by the fact that the U.S.S.R. agreed to accept cotton in repayment of the credit for arms.

Whereas Egypt's need to market its cotton plus its desire for arms helped to produce a climate generally favorable to the Sino-Soviet economic offensive, political motivations growing out of President Gamel Abdel Nasser's "positive neutralism" also constituted a contributory factor. In its international economic relations Egypt presumably sought to reduce its dependence upon the West by expanding its dealings with the bloc. The anti-Western feeling generated by the creation of Israel tended to strengthen this desire.

Although not initially a determining factor, Egypt's urgent need for economic development has also encouraged bloc economic overtures. Egypt has a population of more than 23 million persons who are primarily dependent upon the productivity of roughly 6 million acres of land. The only way it can hope even to maintain the presently low level of income (approximately $110 per capita annually) is to expand agricultural acreage wherever feasible and to promote a greater degree of industrialization. The pursuance of such objectives depends not only upon a favorable export market for cotton, but also upon a sizable inflow of long-term capital. As early as 1955 the Soviet bloc endeavored to capitalize on this situation by offering economic assistance to Egypt in general terms. However, none of these earlier offers resulted in serious negotiations until late in 1957. The U.S.S.R. credit offer of about $175 million for industrial development, accepted in principle in November 1957, resulted in the aid agreement of January 1958.

Credits and Grants. Aside from a gift of approximately $2.8 million by the Soviet Red Cross in November 1956, the Soviet bloc has made no significant grants to Egypt. The reported grant of 20 million Swiss francs ($4 million) by Communist China in early 1956 may have been related to settlement of Peiping's large clearing-account deficit with Egypt.

Until recently Soviet-bloc offers to help Egyptian economic development resulted only in contracts for a few specific projects, most of which probably did not involve any bloc credits. So far as is known, only the Czechoslovak offer of late 1955 to construct a ceramics factory in Egypt at a cost of roughly $1 million has involved any bloc credit. Other reported contracts, including a cement plant (Czechoslovakia), a nuclear physics laboratory (U.S.S.R.), and various bridges (Hungary and Czechoslovakia) and power stations (East Germany and Hungary), are presumably commercial agreements involving little if any Soviet-bloc credit.

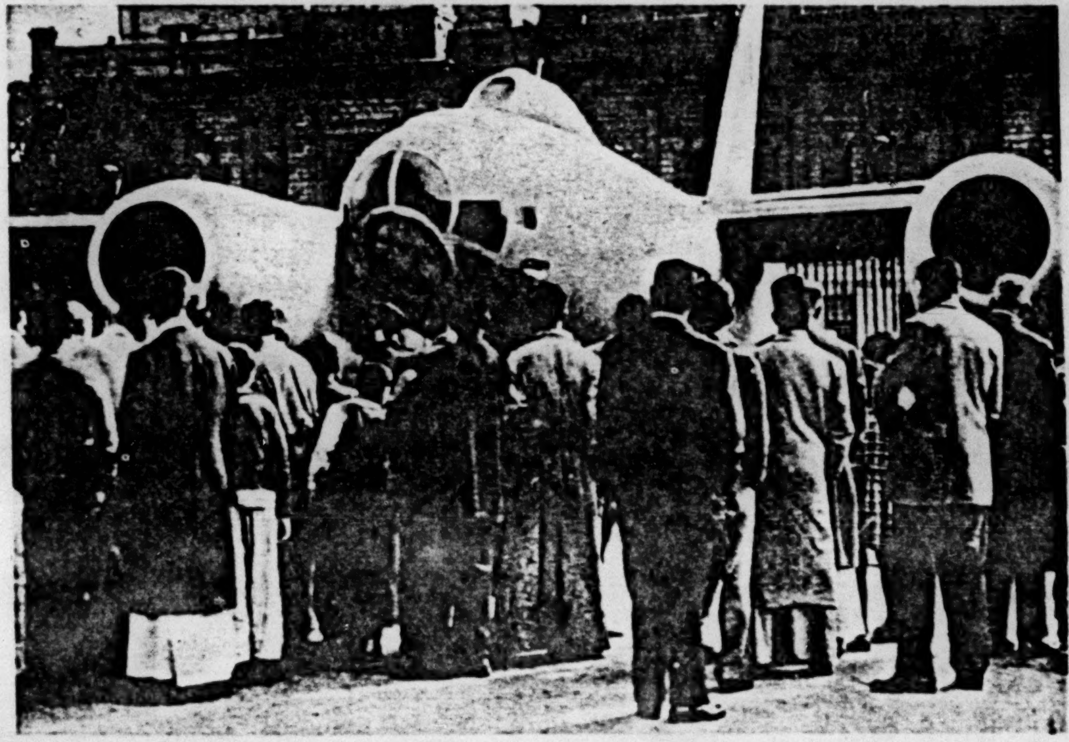
Even prior to the recent economic development credit agreements with the U.S.S.R. and Czechoslovakia a number of grandiose offers had been reported. During 1954 Egyptian sources reported that the Soviet Union had offered to assist Egypt in the construction of the High Aswan Dam. These offers were allegedly repeated in 1955, and in June 1956 the U.S.S.R. again was reported to have offered to lend Egypt $1.2 billion for the construction of the High Aswan Dam as well as for other projects. It is by no means clear, however, whether or not these reported overtures constituted firm offers on the part of the U.S.S.R. On July 21, 1956, the Soviet Foreign Minister, Dmitri T. Shepilov, was quoted as stating that the U.S.S.R. was not considering aid to Egypt for construction of the dam.

Following the withdrawal of the Western offer to assist in the building of the High Aswan Dam in 1956, the U.S.S.R. seemingly retreated from these earlier alleged offers and suggested that it might help Egypt with less spectacular projects. In line with this position the Soviet Ambassador to Egypt in early 1957 tentatively offered to assist Egypt in the realization of the newly announced industrialization program. On November 19 Soviet Premier Nikolai Bulganin announced that in response to a request by President Nasser the U.S.S.R. had agreed to help Egypt develop its economy. Specifically, the U.S.S.R. reportedly offered to lend up to 700 million rubles (approximately $175 million) for use in implementing Egypt's industrialization program. Shortly thereafter Czechoslovakia allegedly agreed to extend to Egypt a loan of $56 million for economic development. In January 1958 Egyptian Minister of Economy Sidqi headed a delegation to Moscow to work out details relating to the Soviet offer. On January 29, 1958, agreement was reportedly reached, whereby the U.S.S.R.

was to provide Egypt with technical assistance, equipment, and machinery up to a cost of $178 million. The types of projects contemplated include iron smelters, steel fabricating plants, shipyards, textile mills, and other enterprises. Some of the equipment for these projects is to be furnished by the European satellites. Repayment of the Soviet credit will reportedly take place over a 12-year period at 2.5 percent interest. The recent Soviet and Czechoslovak credits, if fully utilized, will provide about half of the estimated foreign exchange cost pertaining to Egypt's $700 million industrialization program. The effect of the recent political union between Egypt and Syria on this agreement is not yet clear, although press reports have quoted Egyptian officials as stating that the Soviet loans to Syria and Egypt would now be considered as one.

Since few projects undertaken by Soviet-bloc countries in Egypt are under way, reaction to performance has been limited. No significant criticism of Czechoslovak, Soviet, or Polish firms on the part of the Egyptian Government has been noted. On the other hand Egypt is clearly disappointed with Hungarian performance on contracts to supply bridges and a thermoelectric power plant.

Up to the present time the sale of arms on credit has probably been the most important aspect of the Soviet economic offensive in Egypt. The first report of the Soviet arms transactions with Egypt came in September 1955. The basic agreement was probably reached during the visit of Shepilov to Egypt in the summer of 1955. Arms continued to be shipped during 1956, presumably under a supplemental agreement. Following the cessation of Suez hostilities in late 1956 the U.S.S.R. resumed its deliveries of arms to Egypt. There is no precise



Egyptian crowd inspects a Soviet bomber supplied by the U.S.S.R. to the United Arab Republic.

information available concerning the cost of these arms, but reports indicate that the amount of Egyptian indebtedness was at least $250 million, and possibly considerably more. However, there are indications that the U.S.S.R. may have considerably reduced this indebtedness. The agreement permitted Egypt to pay for these arms over a period of at least 5 years in either cotton or foreign exchange. The purchase of these arms has doubtless obligated a significant percentage of Egypt's cotton over the next few years.

Virtually every kind of conventional military equipment for land, sea, and air forces has been shipped to Egypt under the arms agreements. Much of this materiel was lost during the period of the 1956 hostilities, but subsequent deliveries probably more than offset this loss.

Technical Assistance. In pursuing its economic offensive in Egypt the Soviet bloc has laid considerable stress upon technical assistance and training. Although Egypt has a larger supply of technical experts, especially agricultural technicians, than most countries of the Middle East, there are serious deficiencies in some fields, particularly heavy industry. Soviet-bloc offers of economic assistance have usually included proposals to supply industrial and mining experts, and the U.S.S.R. has shown a continuing interest in assisting Egypt in petroleum exploration.

Egypt has not accepted any of the general offers of technical assistance, and there are indications that the Egyptian Government will endeavor to limit the number of Soviet technicians entering the country under the recent economic aid agreement with the U.S.S.R. Most of the technicians who have come to Egypt in the past 2 years have been primarily concerned with the implementation of various construction contracts held by bloc firms. It is estimated that during the last 6 months of 1957 more than 360 Soviet-bloc nonmilitary technicians were in Egypt for 1 month or more. Of this total almost two-thirds came from the U.S.S.R., Czechoslovakia, and East Germany. Their purpose in coming to Egypt was to assist in the construction of an atomic research laboratory, a power plant, bridges, oil storage tanks, and various other projects. The Egyptian Government has indicated some reluctance to increase the number of Soviet-bloc technicians, particularly in connection with the implementation of the recent credits.

Some Egyptians have gone to bloc countries for technical training. Bloc countries have readily offered to provide such training; and the U.S.S.R., Czechoslovakia, East Germany, and Poland extend scholarships to Egyptian nationals. In addition to such trainees Egyptian delegations have visited Soviet-bloc countries to observe industrial installations and agricultural operations.

Since the conclusion of the Soviet arms agreement with Egypt in September 1955, a substantial number of Soviet-bloc military technicians have been assigned to the country. During the last 6 months of 1957 it is believed that more than 450 Soviet-bloc military specialists went to Egypt for the purpose of training military personnel and of supervising the construction of military installations. More than 100 such technical experts have reportedly been assigned to the Egyptian Air Force as instructors. Egypt has also sent its military personnel to bloc countries for training, and during calendar year 1957 these trainees numbered as many as 500, a large percentage of whom were receiving flight training.

Trade. In recent years cotton has accounted for from 70 to 80 percent of Egypt's total exports. Until about 2 years ago Western Europe and India were by far the most important buyers of Egyptian cotton, and the former region also supplied the bulk of Egypt's import requirements. Countries now comprising the Sino-Soviet bloc accounted for less than 15 percent of Egypt's total trade until 1955.

The Western demand for Egyptian cotton has generally tended to weaken in the post-World War II period, but moderate increases in purchases by other countries, including the Soviet bloc, helped to offset the Western decline. In 1955, however, the drop in exports to the West threatened to intensify seriously Egypt's chronic trade deficit. To exploit this situation the Sino-Soviet bloc began to increase substantially its imports of Egyptian cotton.

Egypt's exports to the Sino-Soviet bloc in recent years, as compared with its total exports, are illustrated in the following table (in millions of Egyptian pounds):

Year	*Sino-Soviet bloc*	*World*	*Percentage to bloc*
1938	2.8	29.3	10
1950	16.4	173.0	9
1952	25.4	142.9	18
1954	19.6	136.7	14
1955	36.9	137.0	27
1956	48.5	140.9	34
1957 (11 months)	66.5	145.9	46

During 1955 India and France continued to be the two leading buyers of Egyptian cotton, but their position was threatened by Czechoslovakia, Communist China, and the U.S.S.R. Payment for arms may have partly accounted for this substantial rise in exports to the bloc during 1955, but these exports had already reached sizable proportions before the arms agreement was signed. The two trade agreements signed with Communist China in August 1955 definitely accounted for the large-scale increase in exports to the country. In 1956 Soviet-bloc countries continued their large purchases of Egyptian cotton, whereas Egypt's exports to the West dropped sharply after the nationalization of the Suez Canal in July 1956.

During 1956 Czechoslovakia became Egypt's most important export market. The aftermath of the Suez crisis seriously curtailed Egypt's trade with Western Europe during much of 1957, and normal trade relations with France and the United Kingdom had not yet been resumed in early 1958. Meanwhile, the Sino-Soviet bloc countries continued to increase their imports of Egyptian goods, and accounted for nearly 50 percent of Egypt's total exports in 1957; the U.S.S.R. was by far Egypt's most important market.

Egypt's imports from the Sino-Soviet bloc have lagged considerably behind exports. During 1955, for example, Egypt continued to buy most of its needs in the free world, despite its drop in exports to that area. Consequently, in its trade relations with the bloc Egypt has regularly enjoyed a sizable trade surplus. After July 1956 imports from the bloc tended to increase largely because Egypt lacked the foreign exchange resources with which to maintain its normal flow of goods from Western countries. Egypt's imports from the Sino-Soviet bloc in recent years are shown in the table below (in millions of Egyptian pounds):

Year	*Sino-Soviet bloc*	*World*	*Percentage from bloc*
1938	3.6	36.9	10
1950	11.3	213.3	5
1952	22.0	225.8	10
1954	9.4	160.3	6
1955	12.5	182.9	7
1956	26.7	186.0	14
1957 (11 months)	42.6	162.5	26

Egypt's imports from the Sino-Soviet bloc are rather diversified, but petroleum products, wheat, timber and wood, fertilizers, and iron and steel products are especially important. Egypt's large-scale imports of petroleum products from the bloc began in 1954, when a barter agreement was signed with Rumania and the U.S.S.R. Prior to 1956 the U.S.S.R had sometimes shipped wheat to Egypt to offset deficiencies in local output.

The Soviet-bloc countries have used various trade promotion tactics in their relations with Egypt. Most impressive of these from the Egyptian viewpoint have been their willingness to purchase surplus Egyptian cotton at premium prices, their readiness to barter arms for cotton, and their ability to supply Egypt with essential requirements during the period of the Suez crisis. These tactics undoubtedly promoted Egyptian receptivity to closer trade ties with the Soviet bloc.

Other less spectacular tactics have also been employed by the Communist countries in their economic offensive in Egypt. During the past 3 years many Soviet-bloc trade delegations visited Egypt. In 1956 Nikolai Melnokov, chief of Technoexport, the U.S.S.R. foreign trade corporation, visited Egypt during his tour of Middle East countries. Later in the same year Heinrich Rau, the Minister of Foreign Trade for East Germany, headed a delegation that spent several days in Egypt. In the summer of 1955 Dmitri Shepilov, then President of the Foreign Affairs Committee of the Supreme Soviet, visited Egypt to discuss arms shipments and trade between Egypt and the U.S.S.R. In addition to these transient missions several Soviet-bloc countries have negotiated with Egypt to permit the establishment of permanent trade offices. The U.S.S.R., East Germany, and Communist China have established such offices in Cairo.

The bloc has also endeavored to promote its trade relations with Egypt by staging trade fairs and exhibits. As early as 1954 East Germany had an industrial exhibit in Egypt. In April 1956 Communist China staged a trade fair in Egypt, at which it featured textiles, machinery, and various consumer goods. Early in 1957 the U.S.S.R. held a large-scale industrial exhibition in Cairo, where it displayed both capital and consumer goods. Late in 1957 East Germany staged another trade fair in Egypt. Reaction to this fair indicated that it may not have been up to the level of earlier ones. Soviet-bloc states participated in the Egyptian fair of late 1957, and Egyptian delegations have attended trade and industrial fairs held in some Soviet-bloc countries. Aside from these trade fairs and exhibits, Communist countries have endeavored to promote trade relations with Egypt by resorting to mass communication, primarily the press and the radio.

Egypt's trade agreements with Soviet-bloc countries are not uniform as to form and substance. In general, they are bilateral, although Egypt, Rumania, and the U.S.S.R. have a trilateral agreement relating to the shipment of petroleum products to Egypt. The agreements fall into two general categories, trade agreements and payments agreements. In most instances Egypt has signed both types of agreements with the Communist states.

Egypt presently has bilateral trade and/or payments agreements with the U.S.S.R., all European satellites, Communist China, and North Korea. Basic agreements with some of these countries were signed as early as 1949, but the majority have been signed since the beginning of 1955, and they were clearly related to Egypt's desire to expand its markets for cotton. Performance under these agreements varies from country to country, but during the past year trade with some of the more important Communist states has been well above prescribed quotas. However, the bloc's exports to Egypt have not kept pace with its imports, resulting in an Egyptian export surplus with the bloc.

In general, Egypt seems to have been reasonably satisfied with its trade relations with the Soviet-bloc countries. The bloc obtained goodwill by stepping up purchases of cotton in 1955 and in keeping Egypt supplied with wheat and petroleum during the period of the Suez crisis. On the other hand, some dissatisfaction has been noted, which could in the longer run have some bearing on Egypt's trade relations with the bloc. There have been some complaints that bloc deliveries have been slow and that the quality of some goods tends to be inferior. It was felt in some quarters that not all of the wheat imported from the U.S.S.R. came up to specifications, and Egyptians have complained that the high sulfur content in the Soviet crude oil damages Egyptian refinery equipment. There is also apparently some feeling that the Soviet bloc's sporadic buying of Egyptian cotton at premium prices in 1957 discouraged other buyers from entering the market. Persisting reports that Egyptian cotton is being reexported by the bloc to Western Europe has also aroused some concern in official circles. Soviet-bloc countries were unable to provide badly needed pharmaceuticals which were in short supply after the Suez crisis.

Sudan

Although the Sino-Soviet bloc had been making attempts to expand economic relations with the Sudan for several years, it was not until the Sudan got into cotton marketing difficulties in mid-1957 that the bloc was able to make overtures which were intended to have great appeal for the Sudanese. Sudan's vulnerability to these overtures stems from the Sudan's overwhelming dependence on one cash crop, long-staple cotton. Raw cotton comprises about 70 percent of the Sudan's exports and is the chief source of foreign exchange.

Until 1957 the Sudan had never experienced more than normal difficulties in marketing its crop. At the beginning of 1957, prospects for a favorable season were good—a bumper crop had been harvested and prices were relatively high. However, the government's marketing board apparently misjudged the world cotton situation and set its prices at unrealistically high levels, with the result that export sales dropped off drastically. The U.S.S.R. was quick to recognize that this situation provided an opportunity for penetrating the Sudanese economy. In August 1957 it made a token purchase of 9,000 bales of Sudanese cotton, which it followed up by an offer to take large quantities of surplus cotton to be paid for by large-scale economic assistance. The Soviet offer included construction of industrial enterprises, supplying of capital goods, training of Sudanese technicians, and undertaking a geological survey. The Sudanese Government did not accept this offer, taking the position that while it was willing to sell to the U.S.S.R. at auction as much cotton as it wanted to buy, it was opposed to tying such cotton sales to a barter agreement. However, in the following months the Sudan's marketing prospects worsened, due partly to unexpected sales by Egypt of substantial amounts of long-staple cotton to Western European customers, and the Sudanese Government came under increasing domestic pressure to accept the Soviet offer. Late in the year the government marketing board took steps to improve the situation by lowering its prices. This action stimulated sales to the Sudan's traditional customers and enabled the government to continue to delay action on the Soviet offer. Nevertheless, the Sudan is still very vulnerable to this type of approach by the bloc. As of January 1958, more than 200,000 bales of cotton still remained unsold from the 1956–57 crop, and although the 1957–58 crop is expected to be considerably smaller, the world demand for long-staple cotton is weak in relation to shorter-staple cotton; and the Sudan, with attempts at diversification still in the early stages, will continue to be a one-crop economy for some time to come. Under these circumstances, the U.S.S.R. can be expected to continue its attempts to exploit the Sudan's cotton marketing difficulties.

Credits and Technical Assistance. Other bloc activities in the Sudan have been of modest proportions. Since achieving its independence in January 1956, the Sudan has followed a policy of neutrality and has sought to avoid involvements with other powers. Although the bloc has made various offers of technical assistance and arms, the Sudan is not believed to have accepted any bloc credits. The only bloc aid offer accepted by the Sudan was an East German water survey project. East German hydrologists began surveys in early 1956 but, having failed to discover new water resources, abandoned the search in early 1957. Their contract had specified that they were not to receive payment unless water was found. Reports that the Sudan contracted with an East German firm for a complete cotton mill early in 1957 remained unverified.

Bloc countries have made other offers of assistance which the Sudanese apparently have not accepted. Tentative offers of economic assistance were made by the Soviets in 1955, renewed in the spring of 1957, and linked to the Soviets' barter trade offer of August 1957. In 1956 it was reported that the

U.S.S.R. had offered funds for the construction of two dams. Several of the European satellites have offered to assist Sudan by building small factories on very favorable payment terms.

Technicians. The only bloc technicians known to have worked in the Sudan were a handful of East German technicians in connection with the unsuccessful water survey of 1956–57. A Czechoslovak offer to send mechanical and civil engineers and a Soviet offer to supply irrigation and agricultural specialists were not taken up by the Sudanese.

Trade. Sudan's trade is oriented primarily toward the West. Although percentage increases in Sudan's trade with the bloc since 1953 have been significant, exports to the bloc in 1956 were still only $6 million, or just over 3 percent of total exports, while imports were about $7.4 million, or somewhat under 6 percent of total imports. In 1954 exports were about $900,000 and have risen as the European satellites and Communist China increased their purchases of cotton from $700,000 in 1954 to about $5.7 million in 1956. Imports from the bloc have declined since 1954 when they were $11.2 million. In that year the Sudan purchased 75,000 metric tons of sugar from the European satellites. In 1955 sugar purchases dropped to 8,000 metric tons and in 1956 rose to 33,000 metric tons.

In spite of their increased purchases of cotton, bloc countries have not been important purchasers of this commodity thus far, and purchases by the bloc in 1956 amounted to only 6 percent of the Sudan's total sales. The U.S.S.R.'s token purchase of 9,000 bales in the spring of 1957 was its first in recent years and the Soviets have indicated that they do not plan to buy additional cotton unless Sudan accepts its barter agreement offer. In 1956 and 1957 Communist China, the largest buyer among Communist countries, bought 20,000 bales of Sudan's short-staple cotton, about one-half of the annual crop. Short-staple cotton has not encountered the marketing difficulties of long-staple and constitutes less than 20 percent of Sudanese production.

The Sudan has not entered into any trade agreements with bloc countries but in 1955 did sign payments agreements with Czechoslovakia, Poland, Hungary, and East Germany. These agreements apparently facilitated trade with the bloc. The Sudan's 1956 trade with the bloc was 65 percent greater than in 1955.

The bloc has been active in trade promotion and delegations from most bloc countries have visited the Sudan. In early 1956 Heinrich Rau, Deputy Premier and Minister of Foreign Trade of East Germany, and the Sudanese Deputy Prime Minister exchanged visits, and later in the year Czechoslovakia staged an industry exhibit in Khartoum to display agricultural and industrial equipment. In early 1956 a visiting Communist Chinese delegation and the Sudanese Government reached agreement on promoting trade. In late 1957 a Sudanese delegation visited Communist China and the two governments announced agreement on promoting trade, including the exchange of trade missions and the holding of trade missions and the holding of trade exhibitions. The Chinese agreed to "seriously consider" importing Sudanese long-staple cotton and other products "if the quality and price are satisfactory."

Syria[1]

Since 1955 Syria's economic ties with the Sino-Soviet bloc have become progressively closer and stronger. This increase in economic relations is primarily a reflection of political attitudes rather than the result of economic factors. Syria's apprehensiveness concerning Israel and its hostility to "Western imperialism"—stemming from its former colonial status and its belief that the West has promoted and protected Israel—has made it particularly receptive to Soviet-bloc offers of military and economic assistance and expanded trade relations. This anti-Western orientation was intensified significantly by the Anglo-French-Israeli invasion of Suez in late 1956.

Because of the strength of this hostility to the West, economic considerations have been subordinated or ignored despite the objections of the Syrian business community. Syria's important French wheat market was sacrificed by a boycott against shipments to France because of opposition to French policies in North Africa.

In contrast to many other less developed countries that are the target of the Soviet bloc's economic offensive, the Syrian economy is basically sound. With a population of about 4 million Syria is not overpopulated in relation to its potential resources. Agricultural production has increased sharply in recent years, and there is still considerable potential for further expansion. The overall rate of economic growth since World War II has exceeded 4 percent per year, perhaps the highest in the region.

Syria's economic problems are relatively small and fairly manageable compared to many other countries in its stage of development. Nevertheless, there are certain weaknesses in its economy that contribute to its vulnerability to bloc overtures. Its valuable cereals crop is heavily dependent upon climatic conditions; a serious drought can greatly impair its exports of grain. It has also become increasingly dependent on cotton as its major export crop, which has increased its vulnerability to international marketing developments. A minor crop before 1949, 95,000 tons of cotton were produced in 1956; and cotton accounted for 30 percent of the value of all exports that year. Last year Syrian textile manufacturers and wheat producers had difficulty in finding foreign markets.

While the acreage in production can be considerably expanded, agricultural development faces a number of problems. Chief of these are the lack of roads between the Jazirah region of northeast Syria, the granary of the country, and market centers and ports; the lack of storage for the exportable grain surplus; the feudal system of land tenure; lack of credit facilities for small farmers; and the uncertain nature of large-scale agricultural operations.

Syria's close economic ties with the Sino-Soviet bloc are of comparatively recent date. A number of trade agreements with the bloc were signed in 1955, but there was little significant increase in actual trade until late 1956 after the Suez crisis. The first military aid agreement was signed in May 1956, followed by a second in November. Several offers of credits and technical assistance were made by visiting bloc delegations during 1956, but few tangible results in the way of agreements and contracts were apparent until late 1956 and early 1957 when Syria accepted several offers made by Soviet satellites to build industrial installations. Economic collaboration with the U.S.S.R. on a large scale did not begin until the agreement of October 28, 1957, extending up to $168 million in credit to finance the cost of equipment and technicians for 19 major projects. It is still uncertain what effect the political union of Egypt and Syria may have on the implementation of this agreement.

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[1] This section applies to Syria prior to its incorporation with the United Arab Republic on February 21, 1958.

Bloc Credits. The Sino-Soviet bloc had extended $294 million in credits to Syria as of December 31, 1957. Of this amount $194 million is earmarked for economic development and the remainder for the purchase of bloc arms. The Soviet Union has furnished $170 million in credits to cover the costs of bloc equipment and technicians for economic development projects and more than $50 million for arms. Of the European satellites, Czechoslovakia has extended about $50 milllion for arms and $20 million in economic credits. Bulgaria and East Germany have also furnished substantial credits for development projects.

Although Syria received no important credits from the bloc until well into 1956, it is now exceeded only by Yugoslavia, Egypt, and India in the amount of bloc credits accepted. On a per capita basis, it has received by far the most, for its population is relatively small in comparison with other important recipients of bloc aid, such as Egypt, Yugoslavia, India, Indonesia, and even Afghanistan.

In early 1956 Syria and Czechoslovakia reached an agreement on the purchase of arms. The credit extended to cover these purchases is estimated to be about $50 million, and Syria is to service this loan with convertible currency or shipments of cotton, wheat, tobacco, and other commodities.

In November Syria made an agreement to purchase arms from the Soviet Union under a credit. The terms of the credit are not fully known but are believed to be similar to the earlier arms agreement with Czechoslovakia. It is also probable that the visit of Syrian Defense Minister al-'Azm to Moscow in the summer of 1957 resulted in arrangements for additional arms purchases. The bloc is also reported to be assisting in the expansion of military airfields and in the construction of a naval base near Latakia. Toward the end of 1957, Czechoslovakia agreed to postpone payment of the Syrian arms debt from 3 to 7 years. The total Syrian arms purchases thus may come to about $100 million and in addition to their military and political significance, they tend to strengthen Syria's economic ties with the bloc by bringing about a shift in exports from traditional markets to service the credits or by reducing the modest foreign exchange holdings Syria needs for trade with the free world.

A Soviet technical delegation to the Middle East visited Syria in March 1956, followed by a visit by the then Soviet Foreign Minister Shepilov. Shepilov made grandiose offers of aid while there, including the construction of the Yusuf Pasha Dam, the Latakia-Jazirah Railway, grain storage warehouses, airports, etc. In July a second technical mission offered to build grain elevators, flour mills, and other industrial establishments. The East

German Minister of Trade visited Syria in May, and in June a group of Syrian financiers visited the U.S.S.R. in connection with the financing of a proposed Syrian-Soviet Shipping Company. The tangible results of all these missions was limited, however, until the latter part of 1956.

In late 1956 the U.S.S.R. offered to develop the oil resources of northern Syria and to market the output on normal commercial terms; a contract to construct a cement plant in Aleppo was awarded to an East German firm in September 1956; Czechoslovakia obtained contracts for the engineering survey of the Hama cement plant and the construction of two smaller plants; a Bulgarian bid for the construction of grain elevators in northern Syria was accepted in October.

After a long delay, the Czechoslovak organization, Tekhnoeksport, was awarded the contract to construct an oil refinery at Homs with an annual capacity of a million tons. The refinery is to cost $15 million, of which about $10 million will be financed by a long-term credit. Construction is scheduled to take a period of 17 months. Syria granted the U.S.S.R. a contract for the technical supervision of the project in preference to a Western concern. This refinery is the first significant bloc involvement in oil operations in the Middle East, and a successful performance here may facilitate further bloc moves into the petroleum field.

Tekhnoeksport and Skoda are also interested in other potential industrial projects. Skoda is to construct and equip a second sugar refinery near Damascus. Bulgaria has been the second most active of the satellites and equipment and technicians arrived in 1957 under earlier contracts for grain elevators and military barracks at Latakia, the Dumayr Military Base, and a geological survey. Bulgaria also indicated interest in development of projects on the Euphrates River. During the second half of 1957 the Hungarians gained the contract to expand the automatic telephone system of Damascus and to extend service to smaller cities in Syria.

The U.S.S.R. made a major entry in the field of economic assistance in the Middle East when on October 28, 1957, it signed with Syria a large-scale economic agreement that constituted an innovation in the Soviet bloc's economic relations with Middle Eastern states. The agreement represents a formalization of the U.S.S.R.'s August 6, 1957, offer to provide Syria with "large-scale economic and technical assistance."

While the October 28 agreement does not specify the exact amount of the Soviet loan, the Syrian Minister of Economy had stated that it may total $168 million, or 30 percent of the total cost of the Syrian development program, if all projects listed in the agreement are implemented. The text of the agreement, as released, lists 19 different projects—some of them closely related, however—for which the U.S.S.R. will supply assistance. These include the construction of hydroelectric power stations on the Euphrates, Orontes, and Yarmuk Rivers and, in the region of Lake Homs, irrigation projects on the Euphrates, Al Kabir, and Barada Rivers; construction of a railway connecting Aleppo with Latakia and Al Qamishli; construction of bridges across the Euphrates and Khabur Rivers; exploration for petroleum and asbestos and for iron, manganese, and chromium ores, including the preparation of a geological map; construction of thermoelectric power stations in Damascus and Aleppo; establishment of a nitrate fertilizer plant; and development of an agricultural laboratory for scientific research.

While the projects listed in the agreement are apparently based in large part upon previous economic surveys of the country, especially the study conducted by the International Bank for Reconstruction and Development (IBRD) in 1954, they are not in complete accord with the recommendations of the IBRD survey. For example, to meet Syria's transport requirements, the IBRD recommended a network of roads connecting the Jazirah with Aleppo and Latakia, rather than a railway as projected in the current agreement.

According to the October agreement, the Soviet aid will consist of a line of credit in rubles, as well as technical assistance. The ruble credit will be available over a period of 7 years, and is presumably to be coordinated with Syria's 7-year development program. It will be used by Syria to pay for technical services and capital equipment from the bloc. The interest rate has been set at 2.5 percent per year and will be calculated for each part of the credit from the date of its use. The U.S.S.R. will accept repayment either in goods or in convertible currency, to be made in 12 annual installments for each section of the credit, beginning (as amended in December to bring it in closer conformity with the Egyptian credit) after all machinery for a given project has been delivered.

The Syrian refusal of the terms of IBRD's 1955 loan offer was ostensibly based upon the rate of interest demanded by the bank and the alleged infringements upon Syrian sovereignty. The low rates of interest offered by the U.S.S.R. avoids the first of these objections, while article 4 of the agreement is designed to allay Syrian fears respecting its sovereignty. This article stipulates that the Syrian Government will set up the various projects to be implemented under the agreement and will organize all work pertaining to them. The Soviet role purportedly will be limited to supplying technical assistance and necessary capital equipment. However, inasmuch as each project involves a separate agreement to be concluded between Syria and the U.S.S.R., at the appropriate time, there is ample room for the U.S.S.R. to exert controls over the use of the credit. Since the agreement provides that deliveries of capital goods by the U.S.S.R. to Syria will be based upon world market prices, the U.S.S.R. will not be able to charge inflated prices for material supplied under the agreement, and Syria cannot expect to obtain capital goods at giveaway prices.

In Prague, in late December 1957, Syrian and Czechoslovak officials issued a joint communique proposing a technical and economic agreement similar to the Soviet-Syrian agreement. A Czechoslovak mission was to go to Damascus to draw up the details of the agreement.

Despite the magnitude of bloc credit offers accepted by Syria, most projects are still in the survey or initial construction stage and final project agreements have not yet been reached under the $168 million Soviet line of credit. As a consequence, actual bloc performance on projects has not been extensive enough to form definite judgments on its quality.

The first major construction project undertaken by the bloc, the petroleum refinery at Homs being constructed by the Czechoslovaks, ran into some labor difficulties when Syrian workers demonstrated against the practice of hiring workers from the surrounding villages rather than from the Homs labor force and paying these workers at a piece rate equivalent to about 50 percent of the prevailing wage for ordinary workers. At the end of the year, however, initial difficulties were apparently overcome and basic construction work seemed to be proceeding on schedule.

Agreement on 12 contracts under the $168 million Soviet line of credit reportedly was reached by the high level Syrian economic mission to Moscow in December but have not been approved as yet by the Syrian Cabinet. This delay may be connected with the combining of Syria and Egypt into the United Arab Republic at the end of January.

Technical Training. The shortage of technically trained personnel in Syria combined with its dependence on the bloc for arms has furnished the bloc an opportunity to send its technicians there in considerable numbers. Since May 1956 when the first Soviet-bloc arms experts were reported in Syria, the number has increased to where it is now estimated that there are more than 200 military specialists and about 110 other technicians there.

More than half of the military instructors and advisers are from the Soviet Union with most of the remainder from Czechoslovakia and a few from Poland. The greatest number of nonmilitary experts presently in Syria are from Bulgaria, East Germany, and Czechoslovakia. There are yet no Soviet economic technicians there, but they are expected to arrive in number when the first major projects under the Soviet line of credit are begun.

Soviet-bloc military specialists are engaged for the most part in training the Syrian army in assembling and maintaining bloc equipment, but some are assigned to units in the field in advisory capacities.

A few Czechoslovak engineers are now working on the Homs petroleum refinery; but when the intricate machinery is to be installed, 150 Czechoslovak technicians will eventually be employed. Several Bulgarian technicians are working on the contract for a geological survey and more are expected. Other bloc technicians are engaged in the construction of barracks, airfields, cement plants, sugar refineries, and port works. To date there are no indications that the Syrian Government is other than reasonably satisfied with the competence and behavior of these technicians.

Probably several hundred Syrians have gone to various countries of the bloc for military training. Most are undergoing flight training, but some Syrian officers have attended the Military Staff College in Moscow. It is also estimated that about 100 Syrian students have gone to bloc countries to pursue their studies. The great majority of these students are in the European satellites with only a few in the U.S.S.R. and Communist China.

Trade With the Bloc. The Sino-Soviet bloc countries have become important trading partners of Syria only in the very recent past. The bloc's share of Syrian imports was 2.5 percent or $4.8 million in 1954 and rose to only 3.9 percent or $12.7 million in 1956. The bloc took a negligible 0.5 percent or $0.7 million of Syria's exports in 1954, but this rose to 7.8 percent or $11.2 million by 1956. Czechoslovakia led the bloc as a supplier of imports (1.3 percent in 1956), followed by Rumania (0.8 percent) and Hungary (0.5 percent). Czechoslovakia also took the major share of Syria's exports to the bloc in 1955 and 1956 (1.0 and 4.1 percent respectively), followed by Communist China (0.1 and 1.1 percent). Most of the increase in Syria's trade with the bloc in 1956 occurred after the Suez crisis in the latter part of the year. Syria's imports from the bloc consist largely of a variety of manufactured goods, lumber, and petroleum products. Considerable difficulty was experienced with some Soviet products. Automotive equipment was notably unsatisfactory mechanically, and the firm selling this equipment had to close its showrooms despite the fact that the prices on trucks and automobiles were low. Syria's exports to the bloc consist of cotton, wheat, and barley, the chief export crops on which its economic stability largely depends.

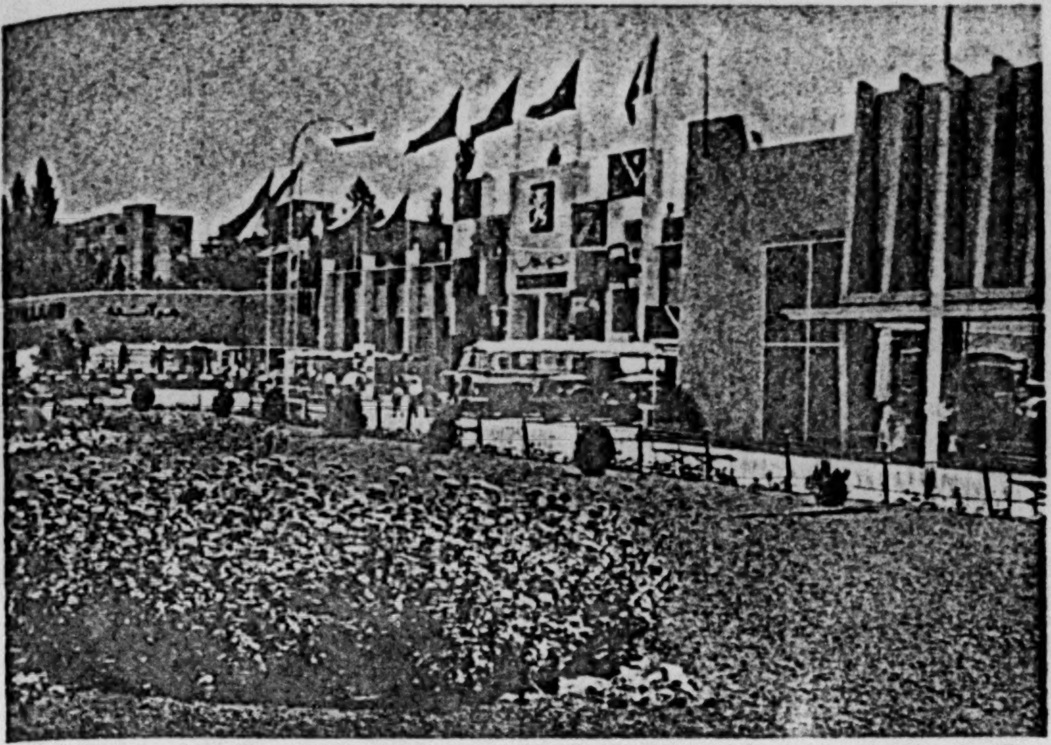
During 1957 Syrian trade shifted sharply toward the Soviet bloc. While Western countries still continued to supply most of Syria's import requirements, the Soviet bloc's share of the export market increased substantially. During the first 6 months of 1957 the bloc accounted for 21 percent of Syria's total exports compared with an insignificant portion during the first half of 1956. This sharp increase is largely attributable to the substantial bloc purchases of Syrian cotton.

The role of the Soviet bloc in Syria's trade was probably even larger during the last 6 months of 1957. Bloc countries have reportedly proposed to buy all of Syria's cotton surplus as well as taking substantial quantities of wheat. If these offers are implemented, the Soviet-bloc countries may take as much as 40 percent of Syria's exportable cotton surplus from the 1957 crop. This fundamental reorientation of export trade would almost inevitably result in a marked increase in Syrian imports from the bloc.

In 1955 and 1956 several Sino-Soviet bloc trade missions including one from Communist China visited Syria making attractive trade offers. In October 1956 East Germany opened a consulate in Damascus with a permanent trade representative and a branch of the East German Foreign Trade Bank was opened there. The Soviet Embassy opened a commercial office in the downtown business section, and advertised its goods in the local newspapers offering bargain prices. Earlier, Syrian nationals organized the Syrian Eastern Development Corporation to handle trade with the bloc, undertake the construction of industrial plants, and develop shipping and transportation agencies and other commercial services.

The International Trade Fair at Damascus in September 1956 provided the bloc another opportunity to promote trade ties, and bloc participation was extensive, East Germany, Czechoslovakia, Communist China, and the U.S.S.R. made heavy purchases of space in Syrian newspapers of all political leanings to advertise their exhibits. Participation was also heavy in the 1957 fair. Commercial firms handling bloc goods opened large showrooms in Damascus and Aleppo and prominent businessmen were invited to visit the bloc. East German textile machinery firms quoted generous credit terms that Western suppliers could not meet.

Syria now has trade and payments agreements with the U.S.S.R., all the European satellites, and Communist China. In 1955 when its economic relations started to become increasingly oriented to the bloc, only one such agree-



The Czechoslovak pavilion at the 1956 trade fair at Damascus, Syria.

Library

ment existed. Three trade agreements were negotiated in 1955, four in 1956, and one in 1957. Only India has entered into more trade agreements with the bloc. There is no information available, however, as to the extent these agreements have been fulfilled.

Yemen

In 1955 Yemen had virtually no economic ties with the Sino-Soviet bloc; now, less than 3 years later, Yemen is heavily involved with the bloc. The bloc conducts its economic diplomacy on an opportunistic basis, and in Yemen the border tension with the Aden Protectorate, administered by the United Kingdom, provided occasion for bloc overtures. As a means of strengthening its internal and regional position, Yemen followed the example set by Egypt and accepted arms from the Soviet bloc in 1956.

Another factor which invited bloc overtures was growing pressure in Yemen for modernization and development of the country. The bloc could expect that its offers of aid "with no strings attached" might find a ready acceptance in Yemen which has traditionally favored a policy of neutrality. The United States has also put forward, in response to Yemeni requests, proposals for economic assistance which are currently being considered by the Yemen Government. A number of Western firms have in recent years signed oil concession agreements with Yemen, but so far extensive exploration has not been carried out.

Credits. Yemen is believed to have accepted at least $19 million worth of bloc credits since 1955, $3 million for arms and $16 million for economic assistance.

Lesser credits may have been extended for other projects but available information is not definite.

Arms negotiations had been rumored from the time that Yemen-bloc relations began to expand in 1955. A Soviet delegation which came to Yemen in March 1956 to negotiate a trade agreement reportedly made an offer of arms. Late in 1956 Yemeni officials confirmed reports that Yemen had purchased arms from the U.S.S.R. worth about $9 million. However, Yemen reportedly will have to pay only $3 to $4 million for the equipment, which includes aircraft, artillery, small arms, and ammunition. A number of bloc military technicians have been in Yemen both to supervise assembly of the equipment and to train the Yemenis in its operation.

In the field of economic development and technical assistance, the bloc has undertaken a number of projects since 1955. Some of these are believed to be financed by shipments of Yemeni commodities to the bloc while others may be covered by credits, the value and terms of which are not known. One project involved the improvement of port facilities at Salif. Bloc technicians are also engaged in the development of highways, communications facilities, and light industries. In addition, the U.S.S.R. has completed the renovation of an airport, has sent several planes and pilots to Yemen, and has begun flight training for Yemenis.

In January 1958 Yemen reportedly concluded an agreement with Communist China under which the Chinese are to extend an interest-free loan of about $16 million to finance the construction of roads and light industries in Yemen. Each part of the credit is to be repaid in 10 annual installments following completion of a particular project, with repayment to be in Swiss francs, sterling, or Yemeni commodities. Communist China agreed to send technicians to Yemen and to train Yemeni technicians in Chinese schools.

In addition, bloc countries have made several offers of economic and technical assistance which are not known to have been accepted as yet by the Yemenis. In January 1958 the U.S.S.R. reportedly offered a loan of $25 million at 2.5 percent interest repayable in 15 years, to be used to finance roads, harbor facilities, dams, a survey of mineral resources, and public health facilities. In 1956 the Yemeni Crown Prince stated that the Czechoslovaks had offered well- and canal-digging equipment and a cement factory at prices 30 percent below prevailing world prices. In addition, Czechoslovakia has offered to develop the port of Ras al Kathib.

Technicians. Numbers of bloc military technicians, including military instructors and pilots, are believed to be in Yemen in conjunction with the assembly of bloc military equipment and training in its use. During the last half of 1957, it is estimated that there were about 55 bloc economic technicians in Yemen, including Russians, East Germans, and Czechoslovaks, and there have been recent indications that their numbers may be increasing. These technicians are involved in port construction as well as in the development of highways, communications facilities, and factories. The number of technicians in Yemen has gradually increased during the last 2 years; the Yemenis apparently are satisfied with their performance and deportment.

In addition, technical training for Yemenis is being provided in bloc countries. Yemen has accepted a Czechoslovak offer to train Yemenis in engineering and medicine in Czechoslovakia for a 6-year period free of charge. The U.S.S.R. has agreed to train Yemenis in oil research and mining in Moscow.

Trade. Trade data for Yemen are not available but trade with the bloc is believed to have been negligible before 1956. The bloc offered trade agreements involving imports of bloc technical assistance as an opening gambit when it began to expand relations with Yemen late in 1955. In October of that year, Yemen and the U.S.S.R. signed a treaty of friendship in which both parties agreed to promote mutual trade. In early 1956 a Czechoslovak trade mission visited Yemen to discuss a trade agreement. In March 1956 Yemen and the U.S.S.R. concluded a trade agreement following negotiations which had been in progress since January. The agreement provided for the exchange of Yemeni coffee, dried fruits, and raw hides for industrial equipment, textiles, foodstuffs, and cement. It is likely that the trade agreement was linked to a Soviet offer of technical assistance made at the same time. In July 1956 Yemen signed trade agreements with East Germany and Czechoslovakia which provided for the exchange of Yemeni agricultural products for East German heavy machinery. Beginning in late 1956, Yemeni coffee began moving to the U.S.S.R. and Russian sugar began to arrive in Yemen. Trade agreements were signed in late 1957 with Poland and in early 1958 with Communist China. The latter, in conjunction with an economic aid agreement, provides for the exchange of Yemeni agricultural products for Communist Chinese industrial goods.

Iran

Since the middle of 1956 the Soviet bloc has stepped up its campaign to develop closer economic as well as diplomatic and cultural relations with Iran. During 1955–56 Iran's economic relations with the bloc had been adversely affected by the hostile Soviet reaction to Iran's adherence to the Baghdad Pact. A change in the Soviet attitude became evident after the Shah's visit to Moscow in July 1956. Moreover, after the arrival of the new Soviet Ambassador, Pegov, in Tehran in September 1956, there was a marked increase in Soviet trade offers and proposals for economic and technical assistance. The Government of Iran has agreed to some of these proposals (3-year trade agreement, transit agreement, and border river surveys) which it believes could benefit the Iranian economy without endangering Iranian independence.

Economic and Technical Assistance. Since late 1956 there have been numerous Soviet offers of economic and technical assistance. These have included joint multipurpose development of border river regions, financial as well as technical assistance for a variety of industrial projects, and assistance in improving Iranian ports and internal transport system and in developing petroleum resources in northern Iran. Iran has thus far not accepted any Soviet credit offers. It did, however, reach an agreement with the U.S.S.R. in August 1957 for a joint survey of the multipurpose development potential of the Araxes and Atrek Rivers, which form the border with the U.S.S.R. in northwestern and northeastern Iran respectively. No financial assistance is reportedly involved, and each country will survey its own side of the border.

In addition, discussions are currently being held regarding a similar arrangement for the development of the Hari Rud River on the border of Iran, the U.S.S.R. and Afghanistan.

In October 1957 Iran awarded the U.S.S.R. a contract for completing the construction of one of the four grain elevators begun by the U.S.S.R. prior to World War II. The other three were given to a West German firm. Also in October, Iran reportedly contracted for Soviet services in dredging the Caspian port of Pahlevi but has asked the U.S.S.R. to do the work under the supervision of Kamsax, the Scandinavian syndicate which is surveying Caspian ports. Iran has not yet acted upon the Soviet offer to improve rail facilities between Julfa, on the Soviet border, and Tabriz. Both the dredging of the Caspian ports and the improvement of Iranian rail facilities would facilitate expansion of trade between the two countries.

Trade and Trade Agreements. Trade between Iran and the Soviet bloc rose sharply during 1957 mainly as a result of enhanced Soviet willingness to purchase Iranian commodities and increased Soviet deliveries of goods in settlement of the U.S.S.R.'s World War II debts to Iran. During the first 7 months of 1957, Iran's exports to the bloc were $14 million and imports from the bloc were $21 million, compared with $10 million and $15 million respectively for the same period in 1956. As a share of total trade (excluding oil company transactions), exports to the bloc in 1957 were 25 percent and imports were 12 percent, compared with 17 percent and 10 percent respectively for the first 7 months of 1956 and 18 and 9 percent respectively for all of 1954. However, the bloc share of Iranian trade in 1957 was still far below the percentages taken by the U.S.S.R. and Eastern Europe countries in 1938. The U.S.S.R. usually accounts for 80–90 percent of Iran's exports to the bloc and 65–80 percent of its imports from the bloc. Czechoslovakia, Poland, and Hungary are the only satellites trading with Iran. Principal Iranian commodities exported to the Communist orbit are rice, raisins, wool, cotton, and mineral ores; major imports are sugar, cotton fabrics, iron and steel, and machinery.

During the last year there has been an increase in commercial activity of Soviet trade representatives in Iran. The Soviets have been offering Iranian merchants and industrialists easy credit terms for purchasing Soviet materials and equipment. Moreover, the U.S.S.R. agreed to accept Iranian rice despite the fact that it was not of high quality. Soviet dissatisfaction with Iranian rice had for some time been a minor irritant in commercial relations between the two countries. The Soviet trade delegation recently requested permission from the Iranian Government to hold a trade fair in Tehran for display of Soviet consumer goods and industrial equipment. Also representatives of the Soviet travel agency Intourist have been in Tehran for talks with Iranian officials and travel agencies in order to encourage increased exchange of tourists.

Iran has trade agreements with the U.S.S.R., Czechoslovakia, Hungary, and Poland. Trade with the U.S.S.R. is governed by quotas negotiated annually under the basic Commerce and Navigation Treaty of 1940. Both countries agree to liquidate year end balances by subsequent delivery of goods. In April 1957 a 3-year protocol was signed envisaging annual increases in the level of trade through 1959–60. However, only the 1957–58 quotas were fixed; the 1958–59 and the 1959–60 lists are to be renegotiated. In October 1957 Iran decided to accord the U.S.S.R most-favored-nation customs treatment on a reciprocal basis within the framework of the Soviet-Iranian trade agreement. This will apply only to items which appear both in the Soviet-Iranian trade agreement and the United States–Iranian Reciprocal Trade Agreement. This accord should improve the competitive position of Soviet goods in Iranian markets. Iran's trade agreements with the satellites all have payment provisions which specify swing limits. Balances in excess of these limits are to be liquidated in sterling or other acceptable currency. Levels of trade called for by these trade agreements with the U.S.S.R. and satellites have rarely been realized in recent years.

Because of its geographic location the U.S.S.R. has traditionally been an important trading partner of Iran. Since most of Iran's economic activity outside of oil is carried on in the northern and central parts of the country, transport to the Persian Gulf ports can be costly for many commodities. The U.S.S.R., therefore, is an important outlet for Iranian commodities which cannot be profitably sold to the free world. In recent years Iran has been trying to encourage expansion of its export markets and thus is willing to augment its trade with the Soviet bloc. Any reasonable proposal to improve economic relations with the bloc is therefore given serious consideration. In addition to the 3-year trade protocol and the most-favored-nation arrangement, Iran recently ratified a transit agreement concluded in April 1957 with the U.S.S.R. The accord provides for reciprocal rights of free transit of goods across the U.S.S.R. and Iran to third countries and eliminates certain restrictions in the 1940 transit agreement. Increased use of the transit routes awaits determination of freight rates and improvement of rail facilities in Iran.

Turkey

Turkey's economic relations with the Sino-Soviet bloc began to expand in 1954. Until 1956 this expansion took the form of increased trade. In 1956, this trade declined, but in 1957 Turkish–Soviet bloc postwar economic relations entered a new phase when Turkey accepted medium-term credits from the Soviet Union. The increase in trade since 1954 can be attributed to conditions within Turkey as well as to Soviet-bloc efforts. Inflation in Turkey tended to price its exports out of world markets, and the resulting shortage of foreign exchange forced it to defer credit payments to Western European suppliers. As the shortage of foreign exchange became acute and Turkey's international credit position continued to deteriorate, expanded trade with the bloc became correspondingly more attractive. Credit was available, foreign currencies in short supply were not required, and accounts could be cleared through existing trade and payments agreements. However, diversion of exports from Western to Eastern European markets tended to perpetuate rather than solve Turkey's credit problem in the West, since it increased the difficulty of repaying arrears. In 1955 the Turkish Government decided to slash drastically all imports, including those from the Soviet bloc, and to direct exports toward Western Europe as much as possible. The extreme shortage of imports resulting from this policy has, in turn, made bloc offers of credit and assistance in economic development more attractive.

Bloc Assistance. Turkey has accepted short- and medium-term credits from the Soviet satellites on industrial installations and equipment. In these dealings commercial rather than political motives were predominant on both sides, and on several occasions shipments to Turkey were held up pending payments due on earlier shipments. Imports on credit from the satellites have included motor vehicles, textile machinery, and paper-making machinery.

Prior to 1957 there were frequent Soviet offers of economic assistance. They were grandiose but vague and probably were not taken very seriously by either side. But in April 1957 a change in Soviet policy with respect to Turkey was evident with the arrival in Ankara of a new Soviet Ambassador, Nikita Rijov, an engineer who had worked on Soviet construction projects in Turkey in the 1930's. The new policy was to exert political pressure on Turkey on the one hand and to offer substantial economic assistance on the other. In contrast to earlier offers, those made by Rijov and Soviet commercial delegations visiting Turkey were specific, practical, and attractive. In July 1957 Turkey accepted a 5-year credit for the construction of a flat-glass factory and reached agreement in principle for the Soviet-financed construction of a caustic soda plant. The agreement is significant because it is the first postwar credit of this sort accepted from the U.S.S.R. As in the case of most Soviet credits, this offer was probably based on political considerations. In connection with the agreement it is interesting that glass and caustic soda are two of Turkey's most important imports from the Soviet bloc, and the completion of these plants will tend to reduce rather than increase Turkey's dependence on the bloc. Other recent Soviet offers—not accepted to date—have included credits for the purchase of motor vehicles, aircraft, and textile machinery. Total bloc credits to Turkey under existing agreements approximate $10 million.

A small number of Soviet technicians are expected to supervise the construction of the glass factory, and a few Turks may travel to the U.S.S.R. for training in the operation of the plant. Also, some satellite technicians have been engaged in installing textile and paper-making machinery in Turkey and in training local personnel. Thus far there have been no complaints about the competence of bloc technicians.

Trade With the Bloc. In the case of both exports and imports Turkish trade with the bloc was higher in 1956 than in 1954 but was substantially below the 1955 levels. Thus trade turnover of $100 million with the bloc in 1954 rose to $160 million in 1955 but declined to $119 million in 1956 (exports $60 million, imports $59 million). The bloc share of Turkish foreign trade in this period rose from 12 percent to 20 percent and then dropped to 17 percent. This trend continued during 1957, but the bloc still accounted for 17 percent of Turkish trade in the first 11 months of the year.

Eastern European countries are traditional Turkish markets and sources of supply, and the current share of the bloc in total Turkish foreign trade is only slightly above pre-World War II levels. Turkish trade with the U.S.S.R. approximates the volume of this trade prior to World War II. Turkey's most important bloc trading partners are Czechoslovakia, East Germany, Poland, and the Soviet Union, in that order. Turkey has trade and payments agreements with all these countries and, in addition, with Rumania, Hungary, and Bulgaria. Generally trade falls slightly below agreed quota levels. Turkey's exports to the bloc follow the same pattern as its exports to other areas, except for embargoed items. Agricultural products, especially tobacco, grains, fruits and nuts, and vegetables head the list. Imports from the bloc consist mainly of machinery and transport equipment, iron and steel products, and construction materials. In general, Turkey gets higher prices from the bloc for her exports than she obtains in free-world markets, but she also pays higher prices for imports. This, together with frequent variation in the quality and uniformity in bloc exports, were important factors in the Turkish decision to direct exports toward Western Europe.

The Soviet bloc has not been as energetic in stimulating trade with Turkey as with some other countries, but five bloc countries, including the U.S.S.R., did have exhibits at the 1957 Izmir fair, and a Soviet commercial delegation which visited Turkey at the same time was well received by commercial groups in Istanbul and Izmir. Because of their geographical situation, Anatolia and Eastern Europe are natural trading partners, but it is unlikely in the foreseeable future that trade with the Soviet bloc will approach the volume of Turkey's trade with the West.

VI. AFRICA

The U.S.S.R., now bent on gaining acceptance in Africa as a powerful, respectable, and sympathetic friend, is making increasing use of economic activities to court independent African states. Prior to 1955 the U.S.S.R. showed little interest in Africa and made no efforts, overt at any rate, to influence or to assist the few independent African states. Financial assistance was negligible and was limited to one project in Ethiopia: maintenance support was accorded annually by the U.S.S.R. to the former czarist hospital in Addis Ababa. The Soviet staff at the hospital were the only bloc technicians in Africa. Bloc trade with Africa was nominal and no efforts were made to expand it.

Since the death of Stalin, Soviet policies toward independent African countries have apparently been reassessed, attitudes toward nationalist governments have softened, and since 1955 greater bloc efforts have been made to expand economic relations with Africa. Coincidentally, the emergence of several independent countries, anxious in most cases to demonstrate their independence from colonial powers, has greatly extended the areas in which the bloc can pursue its objectives. Increased attention being given to African studies within the U.S.S.R. and the presence of two Soviet professors on sociological and economic surveys in Ghana in late 1957 indicate growing Soviet interest in the area. The U.S.S.R., free in African eyes from the stigma of colonialism and an example of rapid economic development, has begun in a limited way to take advantage of its opportunities. Efforts, modest to date, have consisted mainly of increasing commercial relations and expanding exchange programs. The U.S.S.R.'s offer of aid made at the Afro-Asian conference at Cairo in December 1957, while mainly a propaganda gesture, may nevertheless herald bloc plans for an augmented economic offensive in the independent countries in the near future.

Bloc Credits and Contracts

There have been no actual contributions of financial aid to African countries, other than the assistance accorded to the small activity in Ethiopia. On the other hand, rumors and reports of liberal Soviet offers of financial assistance have been current since 1955. Such reports have tended to gain circulation at critical periods which strongly suggests that the principal objective was to aggravate relations with the West. For instance, substantial Soviet aid to Libya (a cash or equipment grant, a 20-year loan, and unlimited quantities of wheat) was allegedly offered at the height of negotiations over American assistance in 1956, and another similar offer was made at the time of the 1957 talks. Liberia's President Tubman received an invitation to Moscow to discuss economic aid shortly before Vice President Nixon's visit to Liberia in 1957. The possibility of Czechoslovak and Soviet offers of aid to Tunisia arose during the arms crisis of 1957. The Soviet Union has also allegedly made offers of financial assistance at other times to Tunisia and to Ethiopia. None of these offers, however, has been confirmed or even acknowledged by bloc countries.

In contrast to the nebulous general offers of aid, the bloc countries have participated in international bidding on certain African projects and have made offers (involving credit) to construct others. Czechoslovakia has entered bids on a telephone installation contract in Tunisia, and it has reportedly shown interest in sugar mill, power plant, textile mill, and hospital construction contracts in Ethiopia. Despite several attempts to obtain contracts, the only one awarded to a bloc country (Bulgaria) is for the construction of a $400,000 meat-packing plant in Eritrea, but dissatisfaction has already developed over lack of progress.

Technical Assistance and Exchange Programs

Technical assistance has been of no significance in the bloc economic offensive in Africa to date. The only Soviet technicians known to be in Africa (apart from Egypt and the Sudan) are those at the Soviet hospital in Ethiopia.

While technical assistance is negligible, the exchange-of-persons program sponsored and financed by the bloc has grown considerably in the 2 years since its inception, and may prove to be a most effective method of developing influence and enlisting support for the bloc in Africa. The major emphasis has been directed toward student groups, but representatives of commerce, labor, and cultural activities have been included on many occasions.

In 1957 labor leaders and a National Assembly delegation from Morocco visited Communist China; a Moroccan trade delegation visited Czechoslovakia, the U.S.S.R., and Communist China; a Tunisian women's group went to Communist China; the Liberian Secretary of Commerce and Agriculture attended the Moscow Agricultural Fair; and from 450 to 500 African students from 10 states attended the World Youth Festival in Moscow. In addition to trade teams, a number of bloc delegations traveled to African states during the same period. Morocco was visited by Communist Chinese labor leaders and by touring Chinese students. A Chinese Communist acrobatic group performed in Tunis, and delegates from the U.S.S.R., Hungary, Rumania, and Czechoslovakia attended a student agricultural convention held there. A Chinese Communist cultural delegation was received by Ethiopia. Ghanaian labor leaders have a standing invitation to visit both the Soviet Union and Communist China. During early 1958 Ghana is to send out trade and good will delegations to various countries through the world of which one is to go to the Soviet Union and Czechoslovakia and another to Communist China.

As a concomitant to the expansion of African study programs in the U.S.S.R. and Czechoslovakia, bloc universities have offered scholarships and awards, both general and technical, to African students either directly or through front organizations such as the Communist-controlled International Union of Students. Outstanding examples are the scholarships for 4-year undergraduate training and scholarships for advanced medical and engineering studies which were offered to Ethiopia by the U.S.S.R. and Czechoslovakia. While there are few full-time African students behind the Iron Curtain at present, Communist circles are in contact with many of the Africans studying in the United Kingdom (between 5,000 and 7,000), France (about 6,000), and elsewhere in Europe; and some have been induced to visit bloc countries for short periods of time under various nonstudy programs.

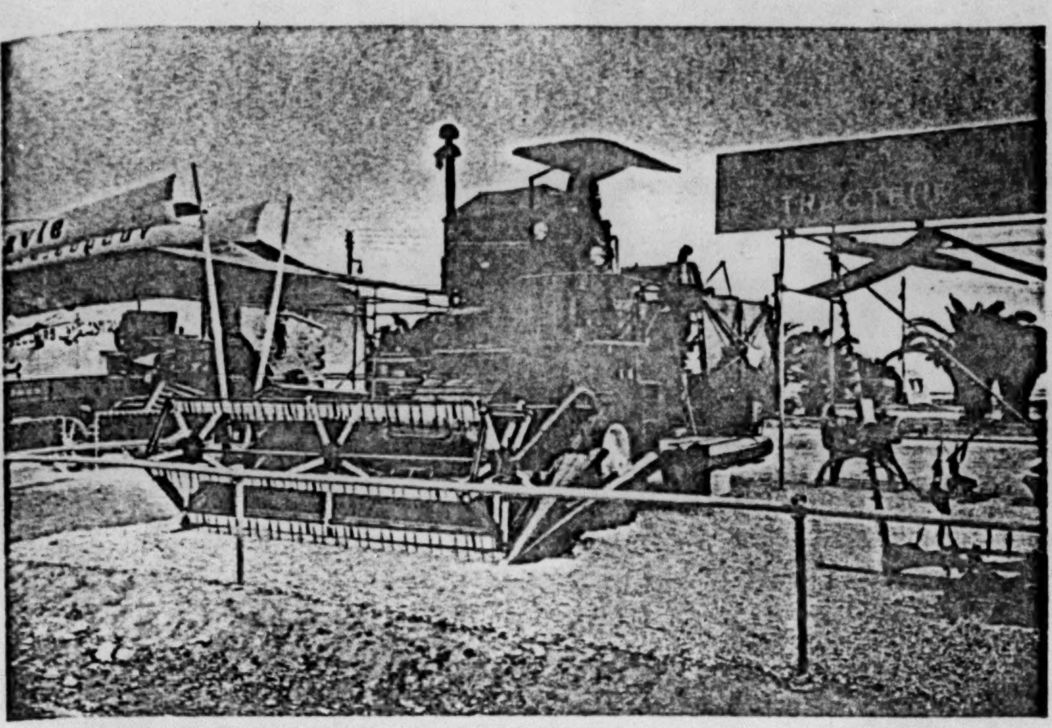
Trade and Trade Relations

The major economic measures currently employed in the advancement of bloc interests in Africa are in the field of trade. Trade between the bloc and independent African states was and remains minor in volume, despite some increases in recent years. African countries have imported machinery, manufactures, automobiles, textiles, and foodstuffs from Bulgaria, Communist China, Czechoslovakia, East Germany, Hungary, Poland, and the U.S.S.R. Czechoslovakia has been the main source of imports, but Moroccan imports of tea from Communist China account for over three-fourths of her bloc imports. Imports from the bloc have shown a higher rate of increase than exports. Most independent African states at least doubled their imports between 1954 and 1956, while Ethiopia increased hers over five-fold. Morocco, Africa's largest importer of bloc goods, obtained only 5 percent of its imports from the bloc in 1956; the bloc accounts for less than 2 percent of the import trade of each of the other African states. Exports to the bloc have remained relatively stable at low levels (less than 2 percent of export trade in all cases), with such notable exceptions as Soviet purchases of Ghanaian cocoa. Exports have also included phosphates from Morocco and Tunisia and coffee from Ethiopia. Ghana and Ethiopia have exported mainly to the U.S.S.R., while Morocco and Tunisia have exported mainly to Bulgaria, Communist China, Czechoslovakia, and Poland.

Two factors which may lead to an increase in bloc trade are (1) the search for additional and, if required, alternative sources of external revenue, as in North Africa; and (2) the desire to escape fluctuating world commodity prices, especially in the case of those countries dependent upon single crops. The association of dependent areas with the European common market may further aggravate the marketing problems of certain independent states which may lead them to seek new markets.

Factors which have heretofore hindered the expansion of bloc trade are the absence of maintenance facilities in Africa for mechanical equipment, the Soviet reputation for poor quality goods, a certain resistance to changes in marketing patterns, and the lack of mutual confidence in fulfillment of contracts. More important than the present volume of trade, however, is the manner in which trade is conducted, both as to negotiation and as to the actual exchange of goods.

The bloc, capitalizing on the desire of the young countries to reduce their commercial dependence on former metropoles, has sent trade delegations to most of independent Africa. These missions, in addition to promoting trade, have developed favorable publicity and have been effective in various other ways in furthering Soviet interests. Several of the African states have declined



A Polish self-propelled grain combine on display at the 1957 international fair at Tunis.

bloc proposals to exchange commercial or diplomatic representatives, but, to some extent, the frequent missions have offset the lack of embassies. Prolonged visits to Morocco have at times amounted to almost permanent missions; and the head of the Czechoslovak trade team that recently negotiated an agreement with Tunisia has been granted a visa to remain in that country for 1 year. The enthusiastic bloc participation in trade fairs, such as those at Casablanca and Tunis and at the Rand Easter Show in the Union of South Africa, are a part of the pattern of winning respect and influence in Africa.

Although trade has been expanded by the efforts of the visiting missions, the only formal bilateral trade and payments agreements negotiated between bloc countries and African states have been with Tunisia, Morocco, and Ethiopia. Both the North African countries have long engaged in trade with the bloc under provisions of various Franco-bloc economic agreements, and the present agreement represents more of a gesture of independence from France than a shift in trading patterns. Both countries continue to trade under French agreements with those Soviet countries with which they have no separate agreements.

Another Soviet tactic has been the manipulation of trade for political ends; bloc purchases motivated by psychological as well as economic considerations have been effective in influencing local opinion. Thus, at the time of Ghana's independence (March 1957), the U.S.S.R. purchased 34,000 tons of Ghanaian cocoa, or 19 percent of Ghana's cocoa exports for the year. During the same period, Ethiopian goatskins and coffee were purchased by the U.S.S.R. at a price well above the depressed world levels; and in the fall of 1957 Communist China bought Uganda cotton valued at $3 million thereby offsetting a marked decline in important Indian purchases.

VII. SOUTHEAST ASIA

Burma

The Sino-Soviet bloc's economic offensive in Burma has consisted mainly of official agreements in the fields of trade and economic aid. However, since about 1950 Communist China has also carried on a less well defined but active campaign to achieve political objectives through the supply of cheap credit to Chinese businessmen in Burma to increase their control over important sectors of Burma's economy.

Two developments provided the opening wedge for the significant bloc economic activities taking place in Burma after 1954. These were (1) the weakening of Burma's marketing position for rice, its major export, and the need to dispose of large rice stocks which had accumulated by the end of 1953; and (2) Burma's desire for both technical and economic assistance to implement its development program. Burma felt forced to seek markets outside of the free world to sell its rice surplus and to accept foreign financial assistance to fill the shortfall in earnings created by the drop in rice prices.

Credits. Bloc assistance to Burma consists of a series of extensive Soviet "gift" projects as well as $12 to 14 million in Sino-Soviet credits. The so-called "gift" projects are barely under way, and final agreements concerning the credits have not yet been concluded. Bloc assistance is to pay for the foreign exchange costs of equipment and services, while Burma will finance local currency costs as well as reimburse the bloc with either "gifts" or repayment in kind. No other firm offers are known to be under consideration; however, press reports have indicated Burma's interest in the acquisition of military equipment from Czechoslovakia.

During the visits to Burma by Khrushchev and Bulganin in late 1955 and by A. L. Mikoyan, First Deputy Chairman of the Council of Ministers of the U.S.S.R., in April 1956, the two countries agreed on a series of projects to be constructed and equipped in Burma by the U.S.S.R. While these were announced as "gifts" from the U.S.S.R., the Burmese Government subsequently announced that it would make a matching gift of equivalent value in rice or other products to the U.S.S.R. The projects consist of a technological institute, hotel, hospital, cultural and sports ensemble, permanent agricultural and industrial exhibition, theater, and conference hall. An implementation agreement was signed on January 17, 1957, and a general contract covering the basic conditions and order of construction on August 30, 1957. The technological institute and hotel in Rangoon and the hospital at Taunggyi are to be started before the end of 1958; all the projects are to be completed by the end of 1963. Payments for the foreign exchange costs of the projects may be made over a

20-year period. On the basis of very rough estimates such costs may be as high as $30 million.

At the end of 1957, Burma and the U.S.S.R. agreed in principle on the extension of two additional loans: a 12-year loan of $4.2 to $6.3 million at 2.5 percent interest to finance the foreign exchange costs of two irrigation projects being planned by a team of agricultural experts from the U.S.S.R. now in Burma, and a 5-year loan of $3.2 million, also at 2.5 percent interest, to construct an agricultural implements factory in Burma.

The three credits from the U.S.S.R. may total as high as $40 million. The loans are for agriculture, which is the mainstay of Burma's economy. The loans for the construction projects are of marginal importance considering the current budget stringency and the need for funds for the development program. However, successful implementation of these projects, most of which are in Rangoon, will be of considerable propaganda value to the U.S.S.R.

At the end of 1957, Burma and Communist China agreed in principle on a loan of $4.2 million at 2.5 percent interest for a textile factory with a capacity of 40,000 spindles. An expansion of textile manufacturing is considered to be an important part of Burma's development program.

Since little progress has been made on the projects to be financed by bloc credits, an evaluation of bloc performance is premature. Of the construction projects, the technological institute is in the most advanced planning stage, and some work has been begun on the preparation of the site. Preliminary surveys have been made of the two irrigation projects in central Burma—at Kyetmauk-taung near Meiktila and on the Thitson stream near Yamethin—for which experts are formulating dam designs and estimating needs for equipment and personnel. Chinese technicians have also made a survey of the site for the new textile factory.

Since about 1950 Communist China has also been trying to penetrate the private sector of Burma's economy through the widespread extension of cheap credit, chiefly through the Rangoon branches of the Bank of China and the Bank of Communications, both controlled by Peiping. Local Chinese borrowers are obliged to comply with Communist directives, e. g., to send their children to Communist schools, fly the Communist flag on appropriate occasions, and participate in the activities of Chinese Communists in Burma. No information is available on the total value of the credit extended.

Technicians and Technical Training. Bloc technicians with a wide range of skills have been visiting Burma since 1956. At present there are at least 60 engaged in work of sufficiently long duration to be considered resident. Of these a minimum of 50 are from the U.S.S.R. and a minimum of 10 from Communist China. Many more are expected in order to implement the "gift" construction projects and the projects planned by the Soviet agricultural team.

In 1956 two Czechoslovak geologists visited Burma, and 7 textile specialists from Communist China arrived to expand the capacity of the Government Spinning and Weaving Factory near Rangoon. This expansion is being done under contracts between the China National Technical Import Corporation and Burma's Industrial Development Corporation signed in July and December 1956. The expenses of the technicians and the equipment for the expansion, now nearly complete, were paid for under Burma's trade agreement with Communist China.

On November 20, 1956, a contract was signed by the Agricultural and Rural Development Corporation of Burma and the All-Union Tekhnopromexport Association of the U.S.S.R. for a 22-man agricultural team which arrived at the end of the year. The contract for this team has now been extended for another year. In addition to planning the two irrigation projects mentioned above, the team has been working on the development of a machine and tractor station and a cooperative village and on various crop improvement experiments. The irrigation loans extended at the end of 1957 will facilitate the expansion of personnel for the agricultural team.

In November 1956 a 30-man Soviet mission consisting of construction engineers for the various projects, economists, and experts in the fields of minerals and petroleum arrived in Burma for preliminary surveys. Since their departure, various Soviet experts have stayed for short periods. About 30 are now in Burma to construct the Technological Institute, and an unknown number are working on other projects. According to press reports, some 200 additional experts from the U.S.S.R. may be expected in the near future to implement the construction projects.

In 1957 a Polish mining expert arrived to advise on the development of zinc deposits under the auspices of the United Nations Technical Assistance Program. The Polish Prime Minister, in Burma on a trade promotion visit, presented Burma with a medical laboratory. Four Soviet scientists spent a brief period in Rangoon to present equipment for four laboratories and books to the University of Rangoon. They also assembled the laboratory equipment and lectured on its use.

In October 1957 additional textile experts from Communist China arrived to train Burmese workmen in handling Chinese machinery at the Government Spinning and Weaving Factory. The entire group will probably be used to build the new textile mill for which Communist China has just extended a $4.2 million credit.

Although the bloc countries have trained Burmese nationals in Burma, few have received instruction outside the country. In 1957 there were four Burmese students in the U.S.S.R. on Soviet Government scholarships. These scholarships are awarded for a 3- to 4-year period, of which the first year is devoted to learning the Russian language. The Government of Burma chooses the fields of the scholarships, usually in scientific or engineering subjects.

Trade. Burma's trade with the bloc reached a peak in 1956 as a result of Burma's earlier agreements with bloc countries to dispose of its rice stocks and the need to utilize growing credit balances. Exports to the bloc were valued at $39.2 million[1] and imports at $37.5 million, or 17.4 percent of Burma's total world trade. This compared with exports of $43.1 million and imports of $4.1 million in 1955 (11.6 percent of total world trade) and exports of $0.1 million and imports of $3 million in 1954 (less than 1 percent of total world trade). Trade with the bloc would presumably have been even higher in 1956 if cash customers for rice had not been available and if bloc countries, particularly the U.S.S.R., had provided Burma needed imports at satisfactory market prices. Burma curtailed its trade with the bloc in 1957, chiefly through a reduction in rice shipments. From January to June 1957 exports amounted to $13 million and imports to $14.8 million, 10.6 percent of Burma's total world trade. In all 3 years Communist China and the U.S.S.R. were Burma's principal bloc customers and Communist China and Czechoslovakia the main source of bloc imports. Capital goods, including transportation equipment, were furnished chiefly by Czechoslovakia, East Germany, and the U.S.S.R. and consumers goods, mainly textiles, by Communist China. Burmese shipments to bloc countries have been almost entirely of rice, although some rubber and raw cotton have been shipped to Communist China and lumber to East Germany.

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[1] Including exports of $4.5 million to North Viet-Nam.

All of the bloc countries have tried to stimulate Burmese purchases by extensive advertising in the press. Communist China held a large economic exhibition in Rangoon from March 20 through April 9, 1957, which was well attended. Visits of bloc officials have been used to encourage Burma to negotiate trade agreements and to stimulate trade.

Beginning in 1954 Burma negotiated a series of trade and payments agreements with the bloc to dispose of its surplus rice. A protocol to the trade agreement usually placed payments on a clearing account basis and specified the volume of rice shipments. In most cases, balanced trade was envisaged. When all were in force in 1956, the agreements called for rice shipments to the bloc of approximately 750,000 tons, or 35 to 40 percent of Burma's annual rice export. Actual shipments, however, were short of this level (nearly 400,000 tons in 1955 and nearly 300,000 tons in 1956).

By 1957 the market for rice was so improved that Burma moved to put its rice trade on a cash basis and disengage itself from its commitments. It did this by terminating the agreements, reducing the quantities of rice involved, or allowing the protocols to lapse. Sizable net credits, mostly with the U.S.S.R., in its clearing accounts with bloc countries which were difficult to utilize were added reasons for this change in policy. In 1957 Burma's agreements with Communist China and Poland were terminated. Agreements are currently in force with seven countries: trade agreements with Bulgaria, Rumania, and North Korea (for these countries, all payments are made on a cash basis and no clearing account is maintained), and trade and payments agreements with Czechoslovakia, East Germany, Hungary, and the U.S.S.R.[2] Only the agreement with the U.S.S.R. contains an annual rice commitment, which was drastically reduced in 1957.

Burma has encountered difficulties in some of its trade deals on a barter basis. These included delays in obtaining merchandise, failure to meet specifications, the delivery of goods in damaged condition, and in some cases extreme overpricing. Hungarian prices were sometimes as much as 50 percent above pre-agreement quotations, and those of other bloc countries were reported to have been similarly adjusted after Burma had committed itself through the barter deals. Burma, undoubtedly, desires that trade be on a cash basis and is moving toward complete elimination of the clearing account arrangements. Prime Minister U Nu has publicly declared that "a man who takes barter when he can get cash must be out of his mind." On the other hand, Burma is committed to exchanging its rice for technical and financial assistance as evidenced most recently in the loans from Communist China and the U.S.S.R.

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[2] The agreements with Czechoslovakia and East Germany were to terminate on January 31, 1958. No information is available as to their present status. A new trade agreement with Communist China was concluded on February 21, 1958. Details are not yet available but trade will probably be on a cash basis with no trade goals set.

Cambodia

The Kingdom of Cambodia, occupying the southwestern portion of what was formerly French Indochina, is bordered by Thailand, Laos, and Viet-Nam. Its location is particularly strategic in terms of possible Chinese Communist aggression into Southeast Asia. Cambodia has a population of about 4 million, the great majority of whom are engaged in agriculture. Rice is by far the chief crop, although rubber, sugar, kapok, and tobacco are also grown. Like most less developed countries, Cambodia earnestly desires economic development and has received considerable aid and technical assistance from France and the United States. The major French project is the development of a seaport at Kompong Som which will enable Cambodia to have a seaport of its own, thereby reducing its dependence on the Vietnamese port of Saïgon. American aid has been devoted to the construction of a highway providing access to the port as well as to a variety of agricultural and social development projects.

Cambodia has espoused a policy of neutralism, a policy of "balancing" relations between the two power blocs. This policy has heightened Cambodia's interest in obtaining economic aid from the Sino-Soviet bloc, primarily Communist China. Cambodian leaders have argued that their national independence is strengthened if foreign assistance is obtained from several sources, thereby avoiding exclusive dependence on one benefactor.

Responding to an invitation made at the Bandung Conference by Communist Chinese Premier Chou En-lai, Prince Sihanouk, then Premier, visited Communist China in February 1956. He was honored by banquets given not only by Chou but by the very inaccessible Chinese Communist Party Chairman, Mao Tse-tung. A rally attended by 8,000 people reportedly was staged. The Chinese Red Cross produced a gift of about $34,000 for the relief of victims of a Phnom Penh fire. Although the resulting joint communique was couched in general, noncommittal terms, Prince Sihanouk was reported by the Communist press to have stated at a Peiping press conference that the time was ripe for Cambodia to cooperate with the Chinese in the economic and cultural fields. An invitation to visit Cambodia was extended to Chou En-lai. On April 4, 1956, a Cambodian trade delegation departed for Peiping. The delegation was headed by Huot Sam Ath, who had primary responsibility for economic planning. Reporting the departure, the American Ambassador in Phnom Penh on April 6, 1956, commented: "Current prospects are without a doubt for a deeper economic penetration by the Communist bloc into Cambodia."

Bloc Assistance. On April 24, 1956, a trade and payments agreement was signed in Peiping and an aid agreement was drafted. On June 21, following 2 weeks of negotiations, the representatives of Cambodia and Communist China signed an aid agreement in Peiping. Communist China agreed to extend a grant of "800 million riels, equivalent to 8 million pounds sterling" which in turn is equal to $22.4 million, for a 2- or possibly 3-year period. Chinese technicians and specialists were to be provided. June 21, 1956, marks Communist China's first venture into the aid sphere of the economic offensive.

The joint communique set forth a host of projects: "construction of textile mills, cement, paper, and plywood factories, establishment of farm irrigation, providing rural centers with electricity, the construction of universities, hospitals, youth and sport centers, roads, bridges, and so forth." The communique went on to state: "The aid from China is not subject to any condition. . . . The Chinese Government will not interfere or exercise any control." *People's Daily*, the Chinese Communist equivalent of *Pravda*, editorialized on June 23: "Asian nations fighting to achieve or strengthen their national independence realize that in order to be free forever from colonialist oppression, poverty and backwardness, they must expand their national economy and carry out industrialization. The imperialist powers were trying desperately to prevent the backward countries from carrying out economic development and industrialization. From the point of view of content, terms and results especially, the economic 'aid' given the underdeveloped countries by the imperialist powers has always violated the sovereignty and interests of the receiving countries and impaired the independent growth of their national economy."

The Communist Chinese obligated themselves to furnish only goods, not foreign exchange. A kind of counterpart fund was to be created by the sale on the Cambodian market of Chinese merchandise. The fund would be used to pay, among other things, "the remuneration of the technicians and the specialists provided by China, as well as the expenses of all natures engaged by them on the territory of Cambodia." The agreement also provided for a Communist Chinese economic mission in Phnom Penh, the chief and deputy chief of which were to be accorded diplomatic privileges. This provision was particularly interesting in view of Cambodia's nonrecognition of the Peiping regime.

Communist China is not the only bloc country which had made aid overtures to Cambodia. The Soviet Union dispatched a 16-member economic mission to Phnom Penh in November 1956 which remained there for several months. Other than an agreement to assist in the construction of a 500-bed hospital, however, no general aid agreement was concluded, apparently because the U.S.S.R. was unwilling to meet Cambodia's request that any aid be provided on a grant basis. Premier Cyrankiewicz of Poland visited Cambodia in March 1957, returning Prince Sihanouk's visit to Warsaw in June 1956, and expressed Poland's readiness to provide specialists in all fields to help Cambodia in its economic development, but, again, no aid pact resulted. Czechoslovakia reportedly offered "whatever scientific and technical aid Cambodia may consider to be important for the development of her economy."

On September 21, 1956, an 11-member Communist Chinese economic mission, including four technicians, finally arrived in Phnom Penh. Eight additional technicians arrived on November 29 to conduct surveys in connection with the four factories to be constructed. In November Chou En-lai visited Cambodia. The first shipment of aid goods, however, did not arrive until April 30, 1957, 10 months after the signature of the aid agreement.

The first shipment consisted of cement and raw silk. Additional shipments gradually arrived and by mid-June the first allocation of counterpart funds was decided upon. Local currency amounting to about $1.5 million was divided between irrigation projects and social welfare projects. By mid-October a number of irrigation ditches and canals had been dug and various livestock and agricultural projects were under way. By the end of the year over $5 million of aid goods had arrived. In addition to the aforementioned cement and silk, the goods received included iron and steel products, cotton thread and fabrics, and paper and silver bullion. It was decided that $14 million of the aid will be devoted to the construction of cement, paper, textile, and plywood factories, in that order of priority. It was apparent from an official announcement dated December 18 that actual construction was still a long way off. Further studies on the cement plant were to be made by Communist Chinese experts; an additional 6 months was required for the completion of construction plans for the textile plant; and perhaps a year would be required for the completion of the plans for the plywood and paper mills.

Technical Training. In September 1957 two Cambodians left for Communist China to receive training in radio operations in connection with the announced gift of a radio transmitter to Cambodia. This is the only known instance in which Cambodians have been sent to the bloc for technical training. A technical cooperation agreement with Czechoslovakia was signed on October 6, 1956, but does not appear to have been implemented in any way.

Trade With the Bloc. Except for imports from Communist China, primarily under the aid program, the Kingdom's trade with the bloc has been negligible. Trade promotion activities by the bloc included Communist Chinese participation in several trade fairs and visits by Czechoslovak, Polish, Soviet, and North Vietnamese trade missions.

The trade agreement with Communist China, signed on April 24, 1956, provided for $14 million of trade each way. Detailed lists of goods which might be traded were published, actual trade appears to have been negligible in the first year of its operation. Trade and payments agreements were concluded with Czechoslovakia on October 6, 1956, with the Soviet Union on May 31, 1957, and with Poland on December 17, 1957. It was not until September 1957 that lists of commodities which might be traded with Czechoslovakia were published. These lists specified trade valued at $350,000. Two months later, similar lists governing trade with the U.S.S.R. were published, valued at $700,000. These lists do not include rubber, Cambodia's largest earner of hard currency, but specify Cambodian rice and extractive products as exports and various types of manufactured goods as imports. Recently North Viet-Nam has energetically sought to establish trade relations with Cambodia. The visit of a North Viet-Nam delegation resulted in a joint communique dated October 31, 1957, which stated that "the delegations recommend to their Governments that a trade agreement be negotiated." Immediately thereafter, a second North Viet-Nam delegation made an appearance at the Phnom Penh Industrial Exhibition.

Although little enthusiasm has been noted within the Cambodian business community for trade with the Communist countries, the Sino-Soviet bloc has maneuvered itself into a position which could facilitate trade, particularly if difficulties arise in the important Franco-Cambodian trade.

Indonesia

Indonesia is by far the largest and most populous country in Southeast Asia. Its long island chain extends from the southeast tip of the Asian mainland eastward to New Guinea and Australia and lies astride major world trade routes. Its resources yield important strategic materials, including rubber, tin, and petroleum, and are capable of significant further development. Because of its size and potential importance, and because critical internal problems have created a favorable climate, Indonesia has become a major Asian target of the Communist-bloc economic offensive.

Formal trade relations were established with the Soviet bloc while Indonesia still was under Netherlands administration. These arrangements were retained by the Indonesian Government after independence in 1949; however, the volume of trade was insignificant. Beginning in 1953 a marked expansion in economic relations with the bloc took place; thereafter new trade and payments agreements were signed, trade, while still insignificant, increased, and Indonesia also accepted bloc credits.

This expansion coincided with the beginning of the Communist bloc's worldwide economic offensive. Declining export earnings in traditional Western markets following the end of the Korean hostilities provided Indonesia with the economic impulse to seek alternative export outlets.

In the last months of 1957 Indonesia was confronted with economic dislocations resulting from the loss of central government control over certain areas of the country and from the seizure of Dutch economic interests. It was against this background of rapidly deteriorating economic conditions that the bloc's largest aid offer—a $100 million development credit from the U.S.S.R.—was finally approved by the Indonesian Parliament in February 1958.

Credits. Bloc economic credits accepted by Indonesia to date total $109 million. In addition the Chinese Communists allowed Indonesia 3 years to settle a trade balance of $16 million, and several thousand military vehicles are being purchased from the U.S.S.R. under a 5-year credit. Various other offers of economic and military aid have recently been made by bloc countries; however, a proffered $20 million credit for light industry from Communist China is the only offer now pending for which a definite value has been announced. No significant grant aid has been offered Indonesia by the bloc.

The largest bloc offer of aid is the $100 million credit for economic development from the U.S.S.R. Although the U.S.S.R. aid agreement was signed in September 1956, Indonesian approval was delayed for almost 18 months. The Indonesian Parliament finally passed the bill authorizing ratification of the arrangement early in February 1958. When urging parliamentary approval of the agreement, government spokesmen in Djakarta cited its similarity to an earlier credit from the United States, also for $100 million, extended by the Export-Import Bank.

The agreement provides that the U.S.S.R. will undertake surveys of Indonesian resources (specifically mentioned were minerals and building materials) and transportation facilities, will plan and assist in the establishment of industries, and will provide training for Indonesian technicians. In addition to these technical services, the U.S.S.R. will supply machinery, equipment, and construction materials for industrial projects. The agreement furthermore calls for Indonesian-Soviet cooperation in the peaceful uses of atomic energy, the U.S.S.R. to provide technical services and training facilities in this field.

Implementation of the basic agreement is contingent on Indonesian requests for specific services or materials and on the negotiation of separate contracts to cover each project. The $100 million credit is to be used for the proposed resource surveys, industrial equipment, and imported building materials. Other expenses are to be defrayed by Indonesia in local currency. Repayment of credits used under the basic agreement is to be made by Indonesia within 12 years at an interest rate of 2.5 percent. Repayment may be effected in Indonesian goods, in transferable pounds sterling, or in a freely convertible currency, subject to agreement between the two governments. According to government spokesmen in Djakarta, the order of specific projects to be undertaken with the Soviet credit has not yet been determined.

An arrangement for deferred payment of current imports was obtained by Indonesia in its revised trade agreement of November 1956 with Communist China, by which Indonesia's accumulated trade deficit was funded, the outstanding balance of about $16 million to be settled within 3 years by shipment of Indonesian goods to Communist China.

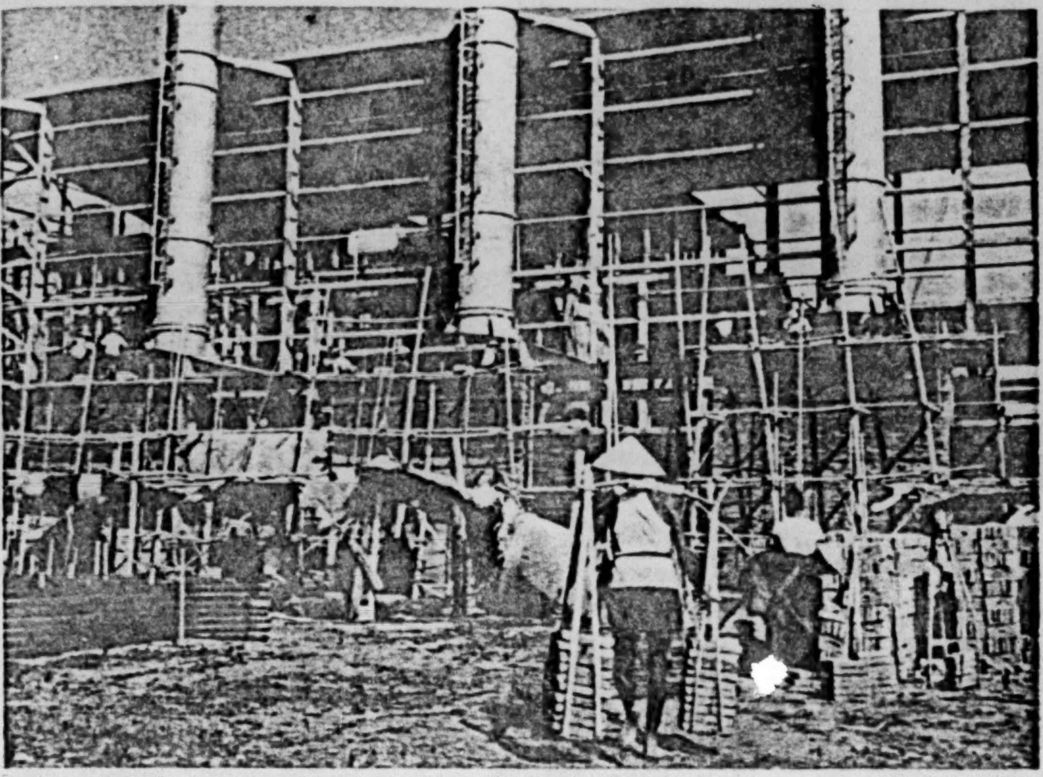
Indonesia has accepted a credit of $7.4 million from East Germany for the construction under East German supervision of an integrated sugar refinery. Repayment is to be made within 6 years at 4 percent interest and may be in the form of Indonesian exports.

Approximately $1.5 million has been earmarked under the terms of an open-end credit agreement concluded with Czechoslovakia in May 1956 for the construction of a tire and rubber goods factory. As in the case of the East German operation, the Czechoslovak credit evidently is for 5 to 6 years at 4 percent, and payments may in effect be in the form of Indonesian exports, subject to approval of Czechoslovakia.

Early in 1957 Indonesia ordered approximately 4,000 jeeps and certain other military vehicles from the U.S.S.R. under a 5-year credit. Details of the arrangement were not announced; however, about 1,600 Soviet vehicles reportedly have been received to date.

The only outstanding bloc credit offer reported in specific amount is a proposed Communist Chinese credit for economic development—primarily of the textile industry—in the amount of $20 million. This offer, first made probably in the latter part of 1957, has not yet been definitely accepted.

Indonesia's growing political and economic difficulties, particularly those arising from regional dissidence and the seizure of Dutch interests late in 1957, have attracted intensified Communist interest; and a number of additional



A sugar plant under construction by East Germans at Jogjakarta, Indonesia.

offers of credit assistance from bloc countries have been reported in the past 2 months. The U.S.S.R. and Poland are reported to have made offers of ships to replace the Dutch-operated line which formerly served the vital interisland trade, and the Indonesian Government has agreed to purchase from the U.S.S.R. 10 small intercoastal ships totaling 23,000 tons under the $100 million Soviet loan agreement. The Soviet bloc has also indicated its preparedness to meet the needs of the Indonesian military establishment. Indonesian military purchasing missions traveled to Europe in January 1958 and made purchases in Czechoslovakia and Poland.

Details of the more recent bloc offers of ships and arms are lacking; however, in view of Indonesia's depleted finances, any substantial acquisitions most probably would entail credit arrangements.

The two development projects undertaken in Indonesia with bloc financial and technical assistance—the sugar refinery financed by East Germany and the tire factory financed by Czechoslovakia—were initially welcomed by the Indonesian Government as substantial contributions to the economy. However, the projects have encountered problems, and progress on both is far behind schedule. The sugar factory was originally to be completed in 1956 and still is not in operation; similarly, the arrival of Czechoslovak equipment for the tire factory was delayed by from 3 to 6 months. To date the two bloc undertakings have suffered by comparison with a United States-sponsored cement factory project in Java which was completed ahead of schedule and to the evident satisfaction of the Indonesians. There has been a marked lack of Indonesian comment, either by officials or in the local press, on the two bloc projects in the past year.

The acquisition of Soviet jeeps in 1957 was the occasion for spirited, but inconclusive, press comments regarding quality and price compared with similar United States vehicles. Leftist papers maintained that the Soviet jeeps had been found satisfactory after thorough testing by the Indonesian armed forces, and that their greater capacity combined with the convenient payment terms offered by the U.S.S.R. outweighed any alleged price advantage held by the U.S. product. The U.S.S.R. jeeps already delivered reportedly have been distributed to various military units in Indonesia.

Technical Training. The number of Sino-Soviet bloc technicians in Indonesia has grown progressively to around 100 by the beginning of 1958. While some bloc technical experts in earlier years were reported to have made brief investigations of certain mineral deposits and irrigation projects, most of the foreign Communist technicians currently in Indonesia are assigned to the two bloc construction projects. The sugar factory project is reportedly staffed by about 75 East Germans and at least 20 Czechoslovaks are working on installation of the tire factory. A few Soviet technicians also were sent to Indonesia to train local personnel in the operation and maintenance of the U.S.S.R. jeeps. About eight Soviet nationals were reported to have arrived in mid-1957 for this work.

The conduct of bloc technicians in Indonesia has not been the subject of extensive public comment. Evidently they are competent and have avoided extracurricular contact with Indonesians. Recent parliament debates on the $100 million Soviet economic program, however, revealed widespread uneasiness over the prospective presence of large numbers of bloc nationals in the country. Remarks by some members of parliament reflected concern over the possible subversive potential of a large corps of foreign Communist technicians in Indonesia as well as over the detailed knowledge of Indonesia's resources which would become available to the Communist countries from the proposed surveys.

Offers of additional technical assistance have been made by most bloc countries to Indonesia, and Communist spokesmen have been particularly vocal on this theme since the Indonesian take-over of Dutch enterprises and the consequent departure of many Dutch technicians. East Germany, for example, has made blanket offers to supply technical experts in a wide range of activities, including airline pilots and merchant marine officers. In a recent state visit to Indonesia, Czechoslovak Premier Siroky offered technical cooperation. The Hungarians have indicated a readiness to supply industrial experts. However, most of these offers were made in general terms, and it is unlikely that there have been serious negotiations on specific technical aid projects with these countries. The U.S.S.R. economic development agreement contains the major tangible prospect of additional bloc technical assistance, and, as noted above, it is this element of the agreement which drew substantial criticism in the Indonesian Parliament. The actual number and categories of technicians to be provided by the U.S.S.R. under the agreement are not specified, but the nature of projects proposed implies the use of substantial numbers.

For several years Indonesians have been receiving technical and general academic training in Sino-Soviet bloc countries. The facilities offered evidently include in many cases substantial financial assistance to trainees and students with courses ranging from engineering to music. The scarcity of advanced educational facilities in Indonesia and the growing demand for technical and professional skills undoubtedly are major factors in the acceptance of training opportunities abroad wherever offered. Although probably small in relation to the large number of Indonesian students in Western institutions, the number of Indonesians studying in bloc countries now exceeds 100. East Germany has offered to make room in its educational institutions for Indonesian students leaving the Netherlands.

Trade. Indonesia's trade with the Sino-Soviet bloc increased rapidly after 1953; it reached a peak of $74 million in 1955, registering a threefold increase over the previous year. However, trade with the Communist bloc still is relatively insignificant; the 1955 record represented but about 5 percent of Indonesia's total foreign trade. Exchanges with the bloc dropped in 1956 to $68 million (about 4 percent of total trade), but recorded shipments to and from the bloc in the first 6 months of 1957 amounted to $45 million, indicating resumption of the upward trend.

In earlier years the European satellites, particularly Czechoslovakia and Hungary, were Indonesia's major bloc trading partners; however, since 1955 Communist China has surged to the fore, accounting in 1956 for over 60 percent, and in the first half of 1957 for about 86 percent, of total Indonesian trade with the bloc. The rise in trade with Communist China during the first 6 months of 1957 was attributable almost entirely to a sharp increase in Indonesian exports, which reversed the previous deficit pattern; in this period exports exceeded imports from Communist China by about $3 million. The implication is that Indonesia was making progress in reducing its accumulated trade deficit in accordance with the November 1956 agreement mentioned above.

Textiles account for the bulk of imports from Communist China; exports formerly comprised copra, sugar, rubber, hard fibers and other products, but more recently they have consisted primarily of rubber. In the first half of 1957, 36,000 tons of rubber were exported to Communist China, accounting, by value, for over 90 percent of all exports to that country. Exports to Soviet-bloc countries in Europe also are confined almost entirely to rubber, the U.S.S.R. and Poland being the major customers; the two main imports from the European bloc were textiles and machinery, with the remainder comprising a wide variety of manufactured articles. The Sino-Soviet bloc has not as yet become either a major supplier or a major purchaser of any significant Indonesian trade item. Bloc trade promotion efforts in Indonesia, however, have been widespread and intensive. Most bloc countries now have official trade representatives in the capital, Djakarta, some having been sent before diplomatic relations were established with Indonesia. Bloc trade representatives also have been installed at other major Indonesian commercial centers, including Medan and Surabaya. Commercial agents have been appointed in Indonesia for some bloc trading enterprises and bloc products are advertised effectively. These standard procedures have been reinforced by numerous visits of bloc trade delegations to Indonesia and by the efforts of high level official visitors, the most recent being Czechoslovak Premier Siroky, who frequently concern themselves with trade relations.

In general, the bloc appears to have been alert to trade opportunities in Indonesia and has attained some success in penetrating the Indonesian market with cotton textiles, machinery, iron and steel products, and various types of consumer soft goods. Bloc efforts in this direction will be facilitated by the elimination of Dutch predominance in Indonesia's foreign trade.

Indonesia has trade and payments agreements in force with all Communist-bloc countries except Albania, Bulgaria, and North Korea; in addition, an unofficial trading arrangement is in effect with the last named area. While the earlier versions of Indonesia's agreements with the Communist states provided for quotas, bilateral barter transactions, and inconvertible clearing accounts, these provisions subsequently were found by the Indonesians to be undesirable, since in some instances Indonesia in effect was providing short-term, interest-free financing—which it could ill afford—for bloc trade deficits, particularly for some of the European satellites. Consequently, the agreements were renegotiated to exclude such provisions; trade with the bloc now generally is permissive and shipments are payable in convertible currencies on a current basis. The only exception to the rule is the arrangement with Communist China, owing undoubtedly to Indonesia's large accumulated trade deficit. In this case, the annual trade quotas were increased in 1956 (from $8.4 million to $33.6 million), the clearing arrangement was retained, and Indonesia was given 3 years to work off its trade deficit in goods.

Although disillusioned with the operation of the earlier bloc trade and payments agreements and more aware of limitations in bloc trade, Indonesia's attitude toward expanded commerce with the Communist countries is generally favorable. Nevertheless, it is noteworthy that in the administration of trade and exchange controls no sustained preference has been accorded to bloc commerce. Indonesia evidently is not willing as yet to forcefully divert its trade to the bloc purely out of political considerations. The virtual rupture of economic relations with the Netherlands in recent months will probably disrupt traditional Indonesian trade patterns to a marked degree, since a substantial portion of Indonesia's trade flowed through Netherlands entrepot and marketing facilities and even more of it was handled by Dutch trading and financial houses in Indonesia. Alternative channels now being explored involve mainly free-world countries, notably West Germany; however, the attending dislocations unquestionably afford opportunities for bloc exploitation. The developing shortage of imported goods in Indonesia will lessen buyer discrimination, while extreme foreign exchange stringencies will augment Indonesia's receptivity to credit arrangements whatever the source.

VIII. SOUTH ASIA

Afghanistan

Both the U.S.S.R. and Czechoslovakia early showed an interest in extending economic and technical assistance to Afghanistan by concluding agreements with that country in 1954. Under continuing programs, the amount of Soviet economic aid extended now amounts to at least $121 million, although less than half of that amount would appear to have been obligated. In addition, the U.S.S.R. has provided arms for modernization of the Afghan armed forces. Total aid from the Sino-Soviet bloc amounts to about $161 million.

Soviet economic aid has been concentrated in the fields of transportation, irrigation, and power, while Czechoslovak assistance has gone to light industry. The projects have generally fitted into the Afghan program for economic development. Although negotiation of agreements has been rapid, there have been long lags between initial surveys and actual construction, with the result that very few of the projects sponsored by the bloc have been completed. The credits are uniformly repayable in Afghan commodities. The only grants received have been 15 buses and some hospital equipment from the U.S.S.R., plus a few Soviet taxis.

The first Soviet agreement to supply economic and technical assistance to Afghanistan was signed on January 27, 1954, providing a credit of $3.5 million for the following projects: (1) two silos for the storage of wheat with a capacity of 20,000 tons each, one in Kabul, and the other in Pul-i-Khumri; (2) a flour mill in Kabul with a daily capacity of 10 tons of fine flour and 50 tons of ordinary flour; and (3) a bakery in Kabul with a capacity of 50 tons of flour per day designed to supply the bread requirements of about 50,000 persons, one-third of Kabul's population. All of these projects were completed by mid-1957; the credit, bearing a 3 percent interest charge, is repayable in 5 years, commencing in 1957.

Final approval was announced in February 1955 of a Soviet loan of $2.1 million for highway and paving projects. This credit was used to construct two asphalt factories, of which one in Kabul has been completed, and to pave about 40 kilometers of Kabul's streets, a project which has also been completed as far as Soviet assistance is concerned.

During the visit of Bulganin and Khrushchev in December 1955, the Soviet leaders offered 15 busses and equipment for a 100-bed hospital in Kabul. This gift was delivered on March 28, 1956.

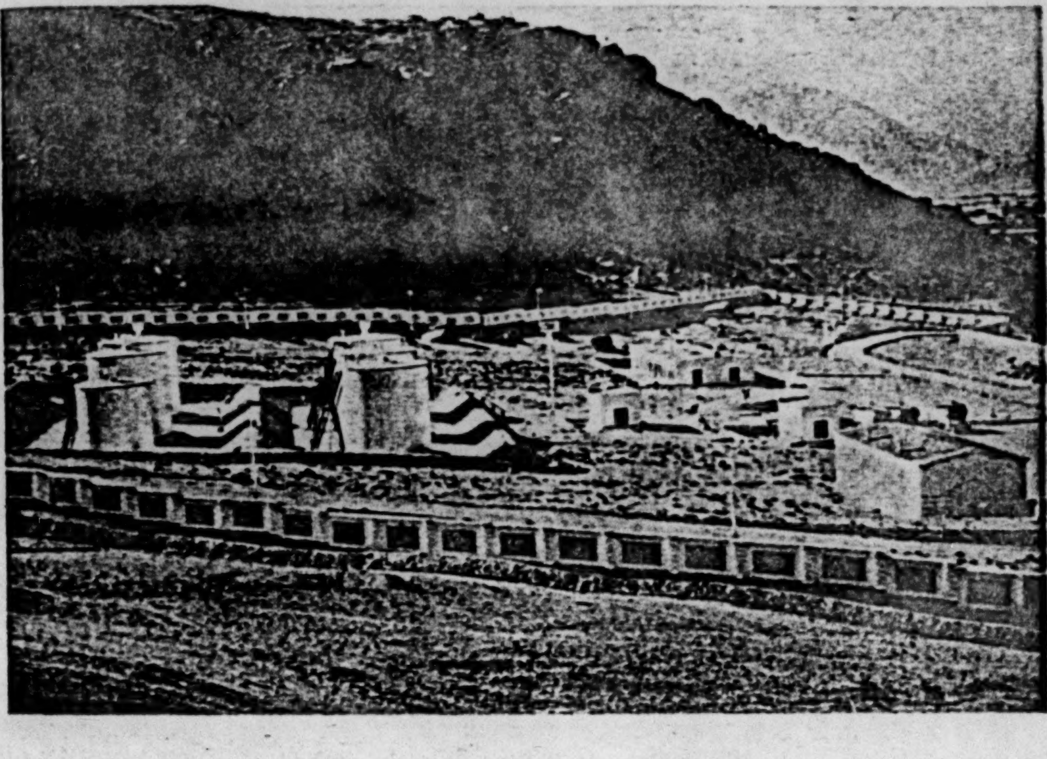
At the conclusion of their visit, it was announced that the U.S.S.R. had agreed to furnish Afghanistan with a $100 million credit for projects upon which separate contracts would be signed later. No repayment would be required for the first 8 years, after which it would be repayable over 22 years at a 2 percent interest rate. On March 1, 1956, a supplementary agreement specified that the following projects would be covered by the loan: (1) two hydroelectric plants of which one at Naghlu is to have a 60,000 kilowatt capacity and the other at Pul-i-Khumri a 9,000 kilowatt capacity; (2) three workshops for the maintenance of motor vehicles at Kabul, Pul-i-Khumri, and Herat; (3) a laboratory for testing materials; (4) a highway through the Salang Pass of the Hindu Kush mountain range; (5) four irrigation projects at Kharwar, Sardeh, Paltu, and Jalalabad (Barikao); and (6) the reconstruction of the airport at Kabul and the construction of an air terminal at Bagrami. In announcing Afghan ratification of the loan agreement on August 16, 1956, Moscow radio mentioned that surveying had commenced on a nitrate fertilizer plant, a project which is probably covered by the agreement of March 1, 1956. The provision of a mobile road maintenance unit, the construction of four more oil depots, an additional hydroelectric and irrigation project, and improvement of the harbor at Qizil Qala all may have been added later to the list of projects covered by the $100 million loan. Although preliminary surveys have been made by Soviet technicians on these projects under the $100 million loan, actual construction has been initiated only on one or two.

On July 30, 1957, at the conclusion of a visit of King Zahir Shah to the Soviet Union, a communique announced that the U.S.S.R. had offered to provide technical and economic assistance in prospecting for oil in northern Afghanistan and to train Afghan technicians, that the two countries would cooperate in exploiting frontier waterways, and that at some future date a treaty on administration of the frontier would be concluded. An agreement for oil exploration was signed in January 1958 and is reported to involve an additional $15 million credit.

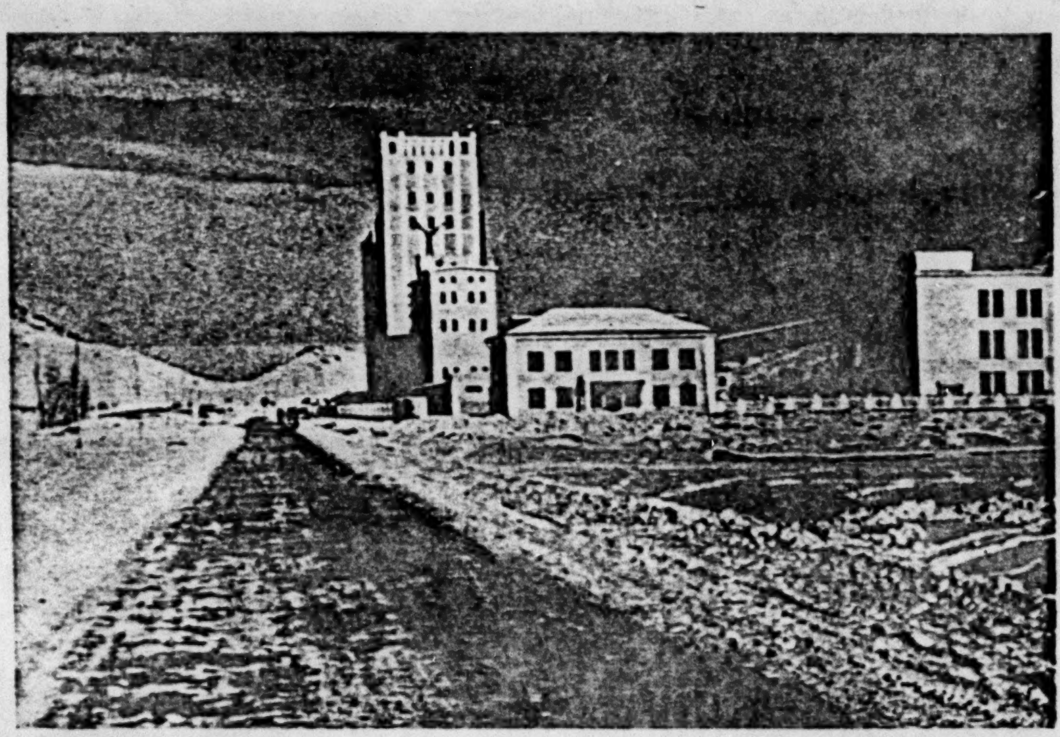
On September 2, 1957, Afghan Foreign Minister Naim announced that Afghanistan would receive military aid under an agreement with the U.S.S.R. concluded in 1956. He said that Afghanistan had signed the agreement because it could not obtain arms from other countries on favorable terms. It is believed that this aid amounts to $25 million and that most of these arms have arrived.

Czechoslovakia entered the field of economic and technical assistance to Afghanistan through an agreement signed on August 22, 1954, which provided a credit of $5 million with repayment to commence 3 years thereafter. Under this agreement, a cement plant with an annual capacity of 30,000 tons has been constructed at Jabal-us-Seraj and a survey completed on a second cement plant at Pul-i-Khumri, which is to have an initial capacity of 200 tons daily and an eventual capacity of twice that amount. Preliminary surveys have been made for a fruit conservation plant at Kandahār with a capacity of 30,000 tons per year and for a brick kiln and roof tile factory near Kabul. Additional Czechoslovak projects on which preliminary surveys have been completed are tanneries at Kabul and Herat, a shoe factory at Kabul, and a city water system for Mazar-i-Sharif.

The only other source of economic assistance has been Poland, which offered to install new machinery and renovate two woolen mills at Kabul and Kanda-



Soviet-built installations at Kabul, Afghanistan: above, oil storage tanks; below, bakery, silo, and administration building. (The road in the picture below was paved by the U.S.S.R.)



hār, according to the recommendations of two Polish experts who inspected the plants in the autumn of 1957.

Although Afghan officials were initially very confident of their ability to make good bargains with the bloc countries, there is evidence to suggest that they have become somewhat disillusioned by the high prices charged for Soviet surveys, the costly nature of suggested construction contracts, and the slow pace of visible progress achieved with the funds spent to date. Among those projects which have been completed, some are of disappointing quality, such as the new pavement on the streets of Kabul and the bread produced in the Kabul bakery. On a number of projects previously surveyed by Western business concerns, irritation has been engendered by the Soviet practice of making a complete new survey at much greater cost and recommending schemes far in excess of the relatively cheap original proposals. Because of the high cost of Soviet projects and concern over the future ability of the Afghan Government to finance the local costs of the projects and loan repayments, it seems unlikely that Afghanistan will accept additional credits for some time to come.

Technical Training. More bloc technicians are at work in Afghanistan than in any other country of the free world. Of the 455 bloc technicians working on developmental projects, more than 90 percent are Soviet personnel, the balance being Czechoslovak. In addition the U.S.S.R. has a number of military specialists engaged in training Afghans in the use of Soviet arms. The contrast between the large number of technicians and the paucity of projects under actual construction is due to the high degree of specialization of most Soviet technicians, a condition which requires the use of an unusually large number of men on each survey, and to the retention of Soviet operating personnel on some completed projects such as the Kabul bakery.

Whereas great stress has been placed in Soviet propaganda on the absence of any political strings to Soviet aid, the corollary effort to appear businesslike by charging for all the housing, transportation, gasoline, and amenities used by Soviet technicians has made the presence of so many bloc technicians a heavy burden on Afghanistan. Only a handful of Afghans have gone to bloc countries for technical training.

Trade. The U.S.S.R. is Afghanistan's largest single source for imports and is a close second to India as a market for Afghan exports. Although it is geographically the most accessible market only for northern Afghanistan, the U.S.S.R. has sought to channel as much trade as possible from the whole country to or through the Soviet Union. Its trade is based on annual renewals of a barter agreement of 1950 and on a transit agreement of June 28, 1955. Under the latter agreement, the Soviets have attempted to capture as much of the transit trade to the West, the Far East, and even India as possible and they have been abetted by friction between Afghanistan and Pakistan. A Soviet trade agency has functioned for a number of years in Afghanistan and the U.S.S.R. has had an adviser attached to the Afghan petroleum monopoly.

Afghanistan's dependence on the U.S.S.R. is most marked in oil, the great bulk of which is brought in from the Soviet Union. Other goods purchased in large quantities from the U.S.S.R. are cotton piece goods, priced very low, and sugar, cement, and metal goods. In turn the U.S.S.R. constitutes one of Afghanistan's most important outlets for its principal exports of skins, wool, and raw cotton.

As far as the general public is concerned, the principal impact of bloc trade has probably been the large quantity of Soviet cloth and other consumer goods that has been displayed in Afghan stores, plus some bicycles purchased from Communist China. The only bloc country other than the U.S.S.R. with which Afghanistan has a trade agreement is Czechoslovakia. Trade with the other bloc countries is insignificant.

Ceylon

Significant economic relations between Ceylon and the Sino-Soviet bloc were initiated on December 10, 1952, when Ceylon signed a 5-year agreement with Communist China to sell 50,000 tons of rubber per year and to purchase 270,000 tons of rice at favorable prices. A principal cause of the agreement was the United Nations embargo of May 1951 on shipments of strategic materials to Communist China, which had cut off that country from its supply of rubber. Ceylon, not then a United Nations member, acted because it was facing a marked decline in world prices for its high-cost rubber and a tight, high-priced market in which to buy rice. The first agreement with a bloc country for the provision of economic and technical assistance was concluded on August 16, 1956, with Czechoslovakia. An economic aid agreement and a bilateral trade agreement were concluded with the U.S.S.R. in February 1958.

Credit and Technical Assistance. Under the 3-year agreement with Czechoslovakia, Ceylon is to receive machinery and other goods for industrial projects, and the Czechoslovaks are to supply scientific and technical assistance for the projects selected. Although substantial down payments are called for on the Czechoslovak goods, payment of the balances due may be deferred for a medium term at a 3 percent rate of interest. Although it was understood that the Czechoslovaks would buy an equivalent value of Ceylonese goods, there is no guaranty to that effect, and Ceylon is obligated to pay whatever adverse balance remains in foreign exchange. In sum the terms of this agreement do not appear to be as generous as those usually offered in bloc agreements.

The only project on which agreement has been reached under this agreement is the construction and equipment of a sugar factory at Kantalai, with a capacity of 20,000 tons of white sugar a year and a crushing capacity of 1,200 tons a day. This contract to the value of $3.4 million, signed on January 16, 1958, was the result of the Czechoslovak Tekhnoeksport Corporation offering the lowest bid for construction. Czechoslovak experts have made a survey of the possibilities of constructing one or two cement plants. They have been requested also to advise the government on the possibilities for a hydroelectric station and a fertilizer plant. A proposed ilmenite refinery has been the object of rather tentative Czechoslovak investigation. The delegation which negotiated the agreement in August 1956 also offered to give as a grant bus facilities worth about $64,000 to help Ceylon in its nationalization of buses, but the grant has yet to be made.

On September 19, 1957, at the time a new 5-year trade agreement with Communist China was concluded, a second agreement for economic assistance was also signed providing a Communist Chinese grant of $15.8 million over the 5 years 1958–62 for Ceylon's rubber tree replanting program. On March 3, 1958, Communist China offered and the Ceylonese Prime Minister accepted a further loan of $10.5 million, payable in four equal annual installments and repayable over 10 years at 2.5 percent interest, for rehabilitation of some of the damage caused by heavy floods.

In August 1957 the U.S.S.R. agreed to provide the machinery and technicians to clear 6,000 acres of jungle at Kantalai for the cultivation of sugar cane to supply the projected Czechoslovak crushing plant there. The following month, both the U.S.S.R. and Hungary offered to sell Ceylon a modern, fully automatic telephone exchange valued at about $12 million, but it is not clear whether either offer included credit. On February 25, 1958, the U.S.S.R. concluded an economic aid agreement with Ceylon including a credit of $28.4 million, with terms calling for repayment in 12 years beginning 1 year after delivery in either Ceylonese goods or in convertible currency as agreed upon. Interest will be 2.5 percent. The credit will cover development projects and flood rehabilitation work. The U.S.S.R. will also provide technical assistance and training. Sino-Soviet aid to Ceylon totaled almost $60 million as of March 3, 1958.[1]

Few bloc technicians have as yet started work in Ceylon although Czechoslovak and Soviet technicians will probably commence operations on the Kantalai project in the near future. There are no Ceylonese receiving technical training in bloc countries at the present time.

Trade With the Bloc. In 1956 the two-way trade in rice and rubber with Communist China to the total value of $64 million comprised almost all of Ceylon's trade with the Sino-Soviet bloc. It represented 9.1 percent of Ceylon's total trade, whereas the value of all other trade with the bloc amounted to only 0.6 percent of the total. In October 1957 the U.S.S.R. entered the Ceylon tea market for the first time in 21 years with substantial purchases at auction. On February 8, 1958, a trade and payments agreement was signed with the U.S.S.R. providing for a swing credit of $840,000 and payment of any excess in cash within 1 month. Although quantities were not specified, the principal Ceylonese exports listed are tea, rubber, coconut products, citronella oil, and spices; and its major imports are to be petroleum products, rolled iron and steel products, chemicals, chemical fertilizers, cement, sawn timber, cellulose, cotton textiles, and machinery.

Although by its 5-year trade agreement with Communist China in 1952 Ceylon acted contrary to the United Nations embargo, the rice-rubber deal was initially of economic advantage to both countries. Later, as world rubber prices rose above those stipulated in the original agreement and rice became more available from traditional Southeast Asian sources, the agreement became a burden to Ceylon. Commencing in 1955, therefore, Communist China began to pay premiums for rubber according to a sliding scale based on average prices in Singapore. Irrespective of these subsequent developments, the agreement at the outset recognized that a balance would accrue in favor of Ceylon which might be settled in sterling or by the sale of additional commodities to Ceylon. The Ceylonese wanted to purchase additional commodities and sent a trade mission to Communist China for the purpose in March 1957, but it was found that Communist China simply did not have what Ceylon wanted and very little else was imported. As a result, Communist China made cash payments totaling about $38 million during the life of the agreement.

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[1] Forty million dollars of this amount was accepted after February 1, 1958, and is therefore not included in Table 2, p. 23.

On September 19, 1957, a new 5-year agreement was signed, calling for a lower volume of trade of 200,000 tons of rice per year for 30,000 tons of rubber on a straight sale basis without premium payments or balances to the credit of either side. Although it is thus protected against rising rice prices, which are to be expected during 1958, and against falling rubber prices, Ceylon has no opportunity in this portion of its trade to take advantage of reverse trends. It did receive a $15.8 million grant, however, in lieu of the premium prices for its rubber it had received under the earlier agreement.

In March 1957 Czechoslovakia staged an industrial exhibit in Colombo that was successful in stimulating interest and drawing crowds. The Czechoslovaks are also the only bloc country to have opened a permanent trade office in Ceylon. In January 1958, however, this office was abolished when its functions were transferred to the commercial section of the new Czechoslovak Embassy.

Ceylon has trade agreements with the U.S.S.R., Bulgaria, Czechoslovakia, Hungary, Poland, and Rumania as well as with Communist China. Half of Ceylon's imports from the bloc, excluding Communist China, have come from Czechoslovakia and another third from Poland, but even so the imports from these two countries make up an insignificant fraction (0.5 percent) of Ceylon's total imports.

Ceylon would probably be willing to buy more from the bloc if any attractive offers were made, but until the end of 1957 when the U.S.S.R. started to show an interest in expanding trade, the only significant interest shown by bloc countries in Ceylon's commodities has been the Communist Chinese contract for rubber. The principal complaint engendered by trade with the Sino-Soviet bloc has been that of private Ceylonese traders against the policy of their government of excluding them from all trade with Communist China. In December 1957 the government lifted its control over this trade except for that under the rubber-rice agreement.

India

India's economic relations with the Sino-Soviet bloc were at first confined to trade, in which Communist China played the predominant role in 1951 and 1952. Nevertheless, such trade represented only a small fraction of India's total international commerce and had little effect upon India's traditional economic ties to the West. It was not until the U.S.S.R. offered to build and equip a steel plant at Bhilai that the bloc began to play a significant role in India's economy. That agreement, concluded in February 1955, was the first major offer of economic and technical assistance made by the U.S.S.R. to any non-Communist country. It was welcomed by India because it not only helped to satisfy one of the top priority requirements of India's developmental program but also offered more favorable terms than those secured in 1953 from Krupps-Demag of Germany for the steel plant at Rourkela. The favorable impression created by these terms and by the generally harmonious working relationship established at Bhilai facilitated Indian acceptance of the U.S.S.R.'s second large loan proposal of $126 million tendered in November 1956.

The initiative for these loans appears to have been taken by the U.S.S.R., but India has exercised a controlling voice in the determination of the use to which the second loan is to be put, even though some of the projects were recommended by Soviet teams of experts invited by the Indian Government to survey specific developmental needs. On the other hand, the deferred payment arrangements of other credits with the bloc were probably adopted at the urging of Indian negotiators anxious to conserve foreign exchange during the Second Five-Year Plan. In its trade with the bloc, India has actively sought imports to fill its requirements, while offsetting exports seem to have been stimulated more by the activities of bloc trade missions than by Indian promotional efforts. In part, the bloc has sought to bring its imports from India into better balance with its exports and, in part, it has used large orders for the products of depressed areas as a means of cultivating goodwill.

Credits and Grants. India has accepted almost $300 million in credits from the Sino-Soviet bloc, of which $258.3 million has been in interest-bearing loans from the U.S.S.R. and the balance in deferred payment arrangements. The total amount of grant assistance, other than that contributed through the United Nations Technical Assistance Administration, has been less than $2 million.

The first concrete assistance to India by the U.S.S.R. after several years of vague gestures was the agreement of February 2, 1955, to supervise the construction and to supply the equipment for an integrated iron and steel plant at Bhilai in Madhya Pradesh. Under a supplementary agreement of May 26, 1956, the U.S.S.R. agreed to supply 60,000 tons of structural steel for the plant. The Soviet contribution of $115.5 million in machinery and other equipment and $16.8 million in structural steel is financed by a loan to be repaid in 12 annual installments at an interest rate of 2.5 percent in rupees freely convertible into sterling. The plant will have a capacity of 1 million ingot tons and 750,000 tons of rolled products, and is scheduled to be in operation by 1959. Soviet supplies have arrived on schedule and, although certain phases of construction appear to be lagging, Indian officials in their public statements appear to be satisfied with the rate of progress. In June 1957 the foundation for a 185-foot-high blast furnace was laid. The railroad line to the ore mine was reported to be well under construction, and the diesel power station to supply power for construction was said to be in operation. In September coke and chemical equipment were shipped. In October it was reported that the U.S.S.R. had shipped a 5,000-ton automatic blooming mill installation. A rail and structural steel mill and a continuous billet mill for Bhilai were also reported to be under construction in the U.S.S.R.

In November 1956 the U.S.S.R. offered an additional $126 million credit, but it was not until a year later, on November 9, 1957, that an agreement was reached on the specific projects for which this loan would be used. These are a heavy machinery plant with a capacity of 45,000 tons and a coal mining machinery plant with a capacity of 30,000 tons ($55.7 million); a 250,000 kilowatt thermal electric power station at Neiveli ($33.6 million); a factory for the manufacture of optical glass (50 tons) and ophthalmic glass (250 tons) ($1.8 million); development of the Korba coalfields ($16.8 million); with a balance of $18.2 million as a cushion against price increases. The projects for the Korba coalfields were designated in four supplementary agreements with the National Coal Development Corporation, signed on December 14, 1957, as an open cast mine, two or three other coal mines in the vicinity of Korba, a central workshop for the repair and maintenance of coal mining equipment, and a coal washing and dressing plant. The credit is similar to that for Bhilai in carrying 2.5 percent interest and in being repayable in 12 annual installments, but payment will not begin until a year after the delivery of the entire equipment for each project. Therefore, India is not expected to have to begin repayments until after the conclusion of its current Second Five-Year Plan (March 31, 1961).

At the time that the Bhilai steel plant agreement was being negotiated, in January 1955, the Soviets also offered to extend a credit for modernizing the Panna diamond mines in Vindhya Pradesh which had been surveyed by two Soviet mining experts, but this offer was not accepted.

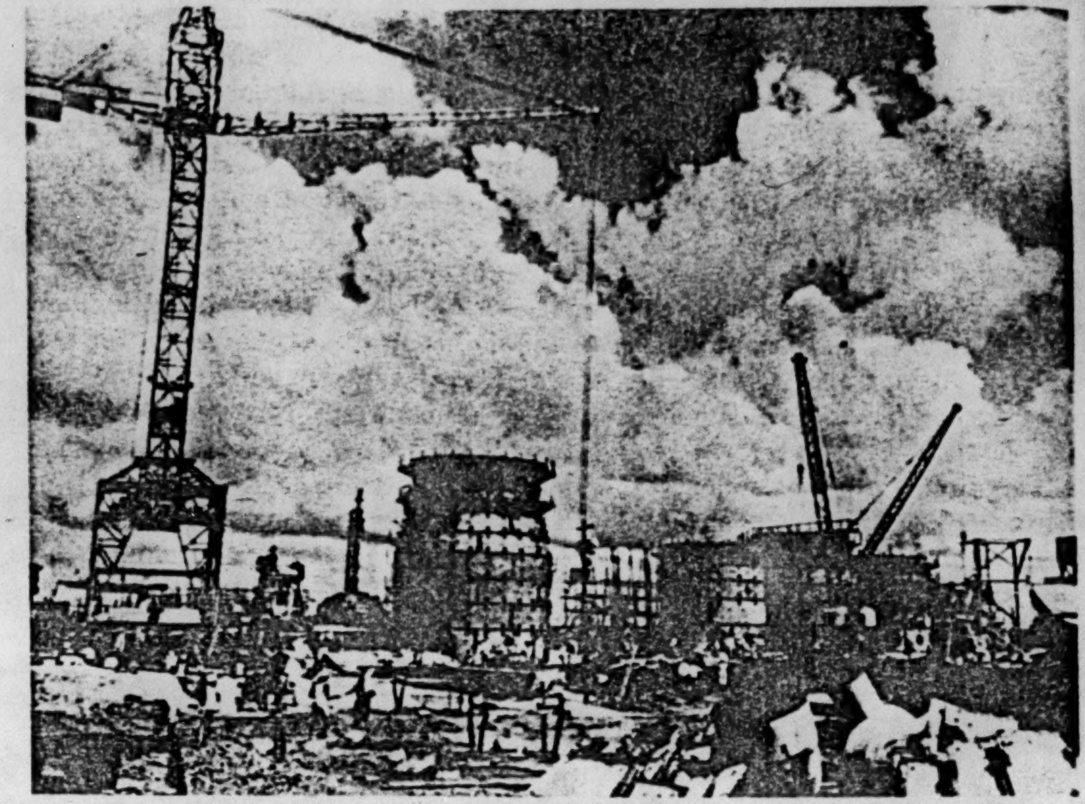
In September 1957 Prime Minister Nehru announced that India had received a Soviet offer for an additional loan of $25 million for the construction of pharmaceutical factories. To date, no action has been taken on this offer.

In January 1958 India requested an additional credit of $31.5 million for the Bhilai plant to cover price increases and the import of materials, which it had originally expected to produce locally. The U.S.S.R. has not acceded to this request.

To date, therefore, the credits for Bhilai and the $126 million credit obligated in November 1957, a total of $258.3 million, constitute the interest-bearing obligations of India to the Soviet Union. It would appear, however, that a deferred payment arrangement may have been involved in two agreements concluded in May 1956 and a supplementary agreement signed on May 11, 1957, under which India agreed to purchase from the U.S.S.R. equipment to a value of about $3.6 million for its oil exploration program. This consists of three oil-drilling rigs, tools, accessories, and related cement and workshop facilities. The first Soviet drilling rig had penetrated to a depth of 5,200 feet at Jawalamukhi in East Punjab at the end of 1957.

The only grant assistance from the Soviet Union, other than token relief shipments of food, has been the gift in 1956 of 69 tractors, other agricultural machinery, an automatic telephone exchange, an electric power station, five mobile workshops, and a number of transport vehicles, the total valued at $1.5 million, for a 5,000-acre central mechanized farm at Suratgarh in Rajasthan.

Czechoslovak acceptance of deferred payments, amounting to a medium term loan, was involved in at least part of the cost of $1.9 million in an agreement



Iron and steel plant under construction at Bhilai, India, under Soviet supervision.

made by Skoda of Czechoslovakia with the Assam Cooperative Sugar Mills, Ltd. to erect and equip Assam's first sugar refinery, with a daily capacity of about 1,000 tons. This agreement was approved by the Government of India on July 26, 1956. On January 4, 1958, during Premier Siroky's visit to India, an agreement was signed whereby the Czechoslovak Government would loan India the foreign exchange component of about $34 million for India's $63 million foundry-forge project at Ranchi, Bihar, which is to have an annual capacity of 45,000 tons. The loan is to be repaid in eight semiannual installments commencing in 1961.

In addition, deferred payments appear to have been involved at least in part in the following Czechoslovak projects: (1) the erection and equipment of a sugar refinery at Panipat, Punjab, according to an agreement concluded at the end of 1955 between the Punjab State Government and Skoda; (2) the construction and equipment of a cement factory with an initial daily capacity of 200 tons at Cherrapunji, Assam, according to an agreement reached in early 1956 between Assam Cement, Ltd. of Calcutta and the Czechoslovak Technoexport foreign trade corporation ($2.1 million); and (3) equipment for an electric power station at Surat, Bombay, on which agreement was reached in early 1956.

Also included within this category is an agreement of December 18, 1956, between the Cekop firm of Poland and Indian Champaka Sugar Plantations, Ltd. for the establishment of a sugar refinery at Mannargudi, Tanjore, with a crushing capacity of 800 tons daily. In July 1957 India obtained a deferred payment arrangement on the purchase of $2.5 million worth of textile machinery from East Germany. On March 19, 1956, an agreement was concluded between the Governments of India and Rumania for the purchase of a petroleum drilling rig ($840,000), the operational supervision by 21 Rumanian technicians, and the training of Indian technicians to operate it ($115,000). The drill went into operation in April 1957 but was replaced in September by the faster "turbo drill" received from the U.S.S.R.

East Germany has shown an interest in lignite mining and the newsprint industry and has offered to establish a raw-film industry in India at a cost of about $10.5 million.

Thus of the almost $300 million in credits extended to India by the Sino-Soviet bloc, the Soviet Union and Czechoslovakia contributed over 98 percent. The absence of Communist China is notable. Also noteworthy is the fact that most of these credits were for industrial projects, with primacy given to heavy industry. This approach has pleased Indian officials because of the high priority placed on heavy industry in the current Second Five-Year Plan. Besides giving assistance to projects accorded top priority by the Indian Government, the bloc has tended to concentrate its aid on a limited number of fairly large projects with visible appeal. For both reasons, it has succeeded in stimulating more attention than the total amount of aid might appear to warrant.

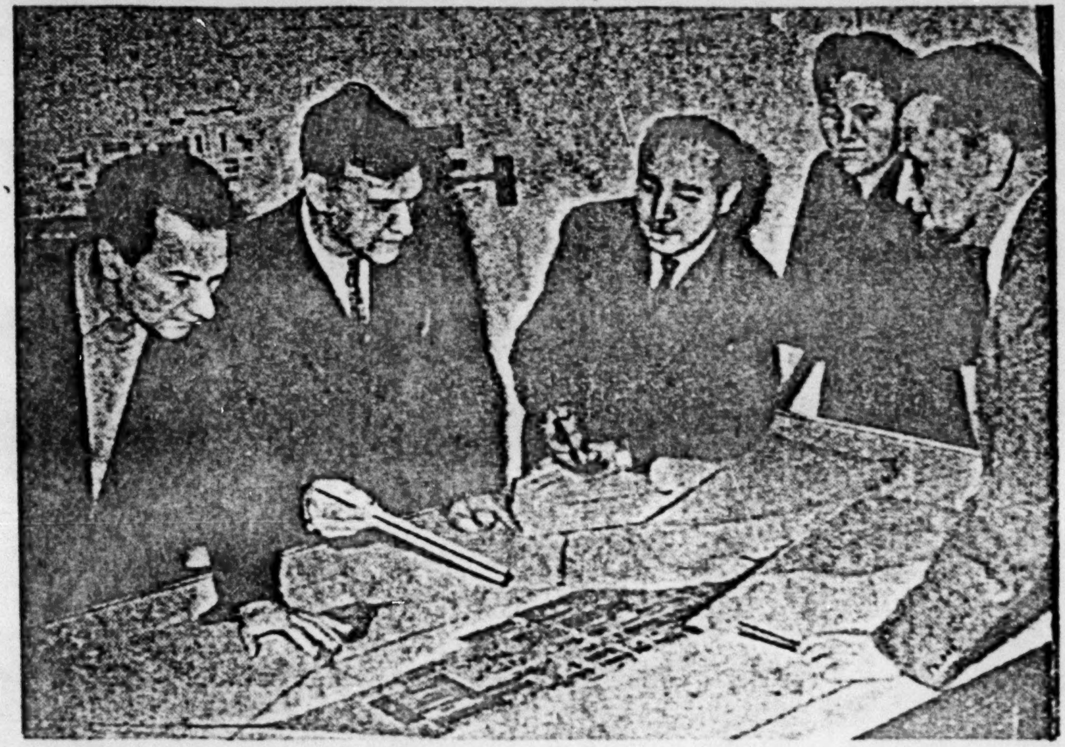
In general, bloc projects appear to make a sizable contribution to India's industrial development program. Indian officials have expressed satisfaction with the rate of progress maintained on these projects, and there seems to be little cause for complaint on the bloc's performance to date, except for the disappointing pace set by the Rumanian oil rig. Not all projects recommended by bloc experts have been accepted by the Indian Government, however, and some phases of construction of the Bhilai steel mill may be somewhat behind schedule.

Technical Training. It is estimated that there were about 260 bloc technicians in India for 1 month or more during the last 6 months of 1957. Of these almost two-thirds were from the Soviet Union. Of the remainder, all from the European satellites, the greatest number were from Czechoslovakia. A large proportion of the developmental projects for which India has received credits from the Soviet bloc involves technical training or has been predicated on the findings of bloc scientists and engineers. For example, it was on the basis of reports by teams of five Soviet experts each that the agreement on petroleum exploration was concluded and that the Korba coalfield project and the coal mining machinery plant were decided upon. In January 1957, 26 topographers, geophysicists, and engineers arrived from the Soviet Union, and it was on the basis of the immediate success of some of these experts that drilling operations started at Jawalamukhi. Eight officers of the Indian Oil Commission are receiving training from the Rumanian experts there. Among the projects under way, the Bhilai steel plant involves the greatest number of bloc technicians and engineers. The number will rise as actual work commences on the projects included under the second Soviet loan.

Bloc technicians appear to have been carefully selected to make a good impression and have succeeded in doing so by their technical competence, cooperative behavior, and frank, affable manner. Perhaps their greatest asset has been the absence of condescension, through stressing cooperation rather than aid, and avoiding boasts about the superiority of Communist countries.

Bloc experts have also been involved in surveying other projects which have either not been approved so far or have been executed without further bloc assistance. In this category may be placed a survey of India's copper-bearing areas by two Soviet experts, the recommendations of two Soviet mining engineers on the development of the Panna diamond mines, and an aerial survey made by Czechoslovaks of a remote section of Assam in conjunction with plans to build a 78-mile ropeway. Poland has also evinced an interest in helping India develop its copper resources, and both Poland and Hungary have offered to help in lignite mining. At the invitation of the Indian Government, a number of experts such as the well-known Polish economist, Oscar Lange, have visited India, but their services have been for limited periods only. A delegation of Soviet farmers in November 1957 recommended large-scale mechanization of Indian farming. Chinese Communist missions, which have included an agricultural delegation and a forestry and a salt mission, have come to learn rather than to extend assistance.

The most important bloc program for training Indians abroad is that under the Bhilai steel agreement, under which about 700 skilled workers, engineers, and technicians are to receive supplementary training in the U.S.S.R. after preliminary training in India. Of this number, about 180 have been sent to



Soviet workers of the State Institute for Iron and Steel Works Planning review plans for the iron and steel plant at Bhilai, India.

the U.S.S.R., some of whom have already returned, and others will probably go to the Soviet Union in the near future. Under the auspices of the United Nations Technical Assistance Administration, eight officers of the Indian Oil Commission left on December 4, 1956, to receive practical training at Soviet oilfields. According to press reports a few others may have gone for specialized training in geophysics and geology. Technical training does not appear to have been provided to Indians in other bloc countries.

As in the case of bloc technicians sent to India, there does not appear to have been any conscious attempt to mix political propaganda with the technical training received by Indians sent to the Soviet Union. In conformity with its neutralist policy, the Indian Government has excluded political considerations from its judgment of training offers.

Trade With the Bloc. In the 5 years 1952 through 1956, Indian imports from the Sino-Soviet bloc have grown from $38.8 million to $72.3 million, and exports to the bloc have risen from $12.7 million to $49.4 million. This increase represents a rise from 2.3 percent of total Indian imports to 4.3 percent, and from 1 percent of total exports to 3.9 percent. The direction of trade has shown a marked shift within the bloc, from a position in which five-sixths of India's imports from the bloc came from Communist China in 1952 and half of India's exports to the bloc went to China to a pattern in 1956 in which China accounted for less than 30 percent of India's imports from the bloc, in comparison to 42.5 percent for the U.S.S.R., and for only a quarter of India's exports to the bloc, as compared to more than half for the U.S.S.R. Although figures for most of 1957 are not yet available, they will probably show a substantial rise over those for the previous year. The State Trading Corporation has handled about 20 percent of this trade.

India's trade with the U.S.S.R. has been governed by (1) a 5-year trade agreement signed on December 2, 1953; (2) a separate agreement, announced December 13, 1955, providing for the import over the 3-year period 1956–58 of 1 million tons of Soviet iron and steel plus oil drilling, mining, and other equipment in exchange for Indian commodities of a total value equal to the iron and steel; and (3) noncommercial imports financed by the U.S.S.R. for the developmental projects for which the Soviet Union has extended credits. To date, India's principal imports from the U.S.S.R. have been iron and steel, machinery, wheat, barley, and printing paper, and its chief exports to the U.S.S.R. have been hides and skins, wool, jute manufactures, lac, tea, coffee, pepper, and cashew nuts. However, marked changes in the composition of Soviet purchases have occurred. In 1956, for example, the U.S.S.R. bought Indian tea for the first time in several years and did so to the tune of millions of dollars. It also bought 500 tons of coffee and has reportedly contracted to buy 725 more tons. In 1957 exports of $2.5 million worth of handmade Indian shoes commenced, plus 250,000 yards of woolen gabardine and a large order for woolen hosiery. Of late, Soviet trade officials have shown an increasing interest in purchasing Kashmiri handicrafts.

In some instances, this variation in purchases has served to bolster weak markets, as in the case of an order for cashew nuts in July 1956 and large purchases of pepper in the winter of 1956–57. Thereby the Soviets have not only taken advantage of low prices but have also had some success in making a favorable impression on such producing areas as the state of Kerala, which has a Communist government.

Certain Indian purchases other than the million tons of steel are worthy of note. An order for 15 broad-gauge steam locomotive boilers, valued at $182,000, was placed in mid-1956. In August 1957 the State Trading Corporation decided to buy 500 Soviet tractors, and the Indian press speculates that in the near future India will be purchasing substantial quantities of earth-moving equipment and road-rollers. It is also rumored that India may obtain about 12,000 cotton textile spindles on a deferred payment basis. The purchase of Soviet coal mining equipment has already been negotiated on a deferred payments basis.

Under India's trade agreement with Communist China, signed October 14, 1954, trade has grown from a mere $10.8 million in 1953 to more than $33 million in 1956, but this latter figure remains well below those for 1951 and 1952 (1952 saw a total of over $44 million). The export surplus enjoyed during the first 2 years has turned to a deficit because of increasing Indian imports of iron and steel manufactures and a decline in India's exports of raw cotton and jute goods. India's principal imports by sea and air are iron and steel (over 45 percent of the total in 1956), newsprint, caustic soda and soda ash, raw silk, and spices. Under a separate agreement signed on August 28, 1956, India bought 60,000 tons of rice. India's principal exports by these routes are raw cotton, jute manufactures, tobacco, pepper, and lac. From Tibet, India imports overland a considerable amount of wool and other animal hair (about $2.7 million in 1956) and to Tibet it sends primarily cotton goods, woolen cloth, stationery, iron and steel, and foodstuffs. Altogether, Tibet accounted for $9.7 million of the trade with Communist China in 1956.

The overseas trade is channelled through the China National Native Produce Corporation of Peiping, with the Shanghai branch of that corporation handling the actual export transactions. On the Indian side, all of the caustic soda, soda ash, and raw silk have been imported by the State Trading Corporation. The Indian market has shown satisfaction with the quality and promptness of Chinese deliveries, but the most important reason for the expansion of imports would seem to be prices that are lower than those of Western suppliers. Tibet has paid for so-called essential commodities such as petroleum, cement, and iron and steel products with Chinese silver dollars.

India's principal imports from Czechoslovakia have been machinery, particularly for sugar refining, printing paper, and chemicals. In the last trade year (1956–57), 40,000 tons of steel were to have been imported, and in November 1957 the Indian railroad purchasing mission bought 20,000 tons of steel. Almost three quarters of Czechoslovak imports from India have consisted of iron ore, the other major items being goat skins and pepper. The current 3-year agreement, signed on September 30, 1957, provides for triangular trade and payments, by which Czechoslovakia may transfer its rupee balances to countries like Egypt and Indonesia with which it has adverse balances and which would like to use the rupees for imports from India.

From Poland, India has imported principally machinery and metals. By the end of 1956, 2,600 freight cars had been imported. In that year, 30 broad-gauge steam locomotives valued at $2.5 million were ordered. The trade agreement signed in April 1956 called for imports of 300,000 tons of Polish iron and steel products over a 3-year period and purchases by Poland of an equal quantity of iron ore. Imports from Hungary are also principally machinery and metals. Three quarters of Hungary's purchases from India in 1956 consisted of raw wool. From East Germany, India imports chemicals, chiefly ammonium sulphate. In mid-1956 India placed an order for 17 special freight cars capable of transporting heavy plant and machinery valued at $200,000. In July 1957 India obtained a deferred payment agreement on the purchase of $2.5 million worth of East German textile machinery. Cement promises to supplant machinery and metals in imports from Rumania. The principal import from North Viet-Nam has been rice.

Most bloc countries maintain commercial representatives in India's key cities. Their most distinctive promotional efforts, however, take the form of displays of their wares, especially at trade fairs. For example, the official Chinese trade representation maintains showrooms in New Delhi, Bombay, and Calcutta. It does not employ traveling salesmen nor indulge in newspaper advertising but shows particular interest in trade fairs, where many consumer articles have been shown despite the small volume of consumer imports from China.

Although India has bilateral trade agreements with every country in the Sino-Soviet bloc except Albania, 90 percent of its total imports of $72.3 million from the bloc in 1956 and 92 percent of its total exports of $49.4 million were accounted for by the U.S.S.R., Communist China, and Czechoslovakia.

The first such trade agreements were concluded with Czechoslovakia, Poland, and Hungary in 1948 and 1949. The last agreement, signed in August 1957, was a semiofficial one with the trading organizations of North Korea, a country whose government is not recognized by India. In making these agreements, the Indian Government has pursued four principles of trade policy: (1) nondiscrimination, (2) the issuance of import licenses purely on currency considerations on the basis of multilateral trade within a currency area, (3) nonacceptance of quotas for specific destinations, and (4) avoidance, as far as possible, of bilateral balancing or barter. Accordingly, India has generally refused to accept specific quotas for imports and exports. Balances due either party are payable in pounds sterling. In its present foreign exchange difficulties, India has been attempting to obtain agreement to settlement in rupees and has been successful in this effort with Communist China, Czechoslovakia, East Germany, and Hungary. In a further effort to save exchange, India has recently tried to arrange for deferred payments on its imports. Although it has not as yet met with significant success, it is aided in its efforts by an increasing amount of competition among the members of the Sino-Soviet bloc.

In order to deal more effectively with the state trading organizations of the bloc and to bring its exports to the bloc into better balance with its imports, the Indian Government organized the State Trading Corporation in May 1956. Although this corporation has had a monopoly on trade in certain commodities, it still controls only a minor part of the trade with the bloc, and imports continue to be far in excess of exports.

To facilitate trade, India has also concluded shipping agreements with the U.S.S.R. and Poland. The Indo-Soviet agreement of April 6, 1956, established direct service between the Indian ports of Bombay and Calcutta and the Soviet ports of Odessa and Novorossisk by six Soviet and six Indian vessels with a total of about 55,000 gross registered tons. Under this agreement, it was expected that 350,000 tons of Soviet commodities would be received by India annually. Under the Polish agreement of May 16, 1956, three ships of each country were selected to carry the seaborne commerce between the two countries.

A direct air link to Prague was opened in April 1956 by Air India International. Repeated negotiations with the U.S.S.R. have finally led to agreement on a direct air route to Moscow, but nothing has come of Communist Chinese efforts to promote an air route to Peiping.

Having found bloc products to be generally satisfactory, Indians are not reluctant to expand their trade with the bloc, although they would be averse to becoming dependent upon the bloc. So far there are only a few commodities in which disruption of trade with the bloc would seriously affect Indian markets. Among Indian exports of significant value in 1956, the bloc took 37.8 percent of hides and skins, 24.4 percent pepper, and 24.3 percent of iron ore, while India imported from the bloc 23.4 percent of its total imports of printing paper, 22.5 percent of the grain imported, and 10.3 percent of the iron and steel.

Nepal

The Kingdom of Nepal is torn between its desire for external assistance, its fear that political strings may be attached to offers of aid from the Sino-Soviet bloc, its desire to continue trade with Tibet to the north, and the need to maintain good commercial and political relations with India to the south, which is sensitive to any bloc penetration in Nepal that might threaten its own security.

Although the U.S.S.R. has made some vague offers of assistance, the only country in the bloc with which Nepal has concluded any economic agreements is Communist China. A trade and friendship agreement was signed in September 1956 following the arrival of a six-member Communist Chinese trade delegation, and a few weeks later, on October 7, 1956, on the conclusion of the then Nepalese Prime Minister's visit to Peiping, the Communist Chinese government announced that it would grant Nepal $12.6 million over a 3-year period. Both accords were agreeable to the Nepalese Government of that time, but Nepalese interest in the trade agreement appears to have flagged in view of their procrastination in giving it effect.

Bloc Assistance. On February 3, 1957, Nepal received on schedule the first installment of $2 million of Peiping's cash grant of $12.6 million. A second installment of approximately the same amount was received in February 1958, and the balance of the grant is to be received in the form of machinery, raw materials, and other commodities during 1959 and 1960. There is no indication that any of the first installment has yet been used for development projects. However, there do not appear to have been any specific conditions attached to the use of the cash allotments.

Peiping's aid offer did not provide for Chinese technicians to be sent to Nepal. No bloc technicians are working in Nepal, nor are Nepalese receiving technical training in bloc countries.

Trade With the Bloc. Although probably second in importance to its trade with India, Nepal's trade with Tibet is not very large, amounting in all likelihood to no more than a tenth of its total trade. Its principal imports have been salt and wool, and its principal exports to Tibet ground wheat, rice, and ground peas. If and when a hard-surface road is completed between Katmandu and the Tibetan border, the volume of trade will probably increase. Fulfillment of the terms of the trade agreement with Communist China could also probably stimulate additional trade, since the accord called for the reciprocal establishment of trade agencies on both sides of the border and specifically for a Communist Chinese consulate general at Katmandu as well as three Communist Chinese agencies with diplomatic privileges in outlying districts of Nepal. The agreement was not ratified until January 17, 1958, and India has consistently sought to persuade the Nepalese Government to continue to postpone the establishment of the Communist Chinese consulate general and agencies. Having ratified the treaty, however, Katmandu may find it more difficult to resist pressure from Peiping to give effect to the agreement.

IX. LATIN AMERICA

Argentina

Following conclusion of a trade agreement with Argentina in 1953, the U.S.S.R. entered this market for the first time on a substantial scale while the satellites also increased their purchases and sales in the Argentine market. In 1954–55 Argentine trade with the bloc averaged $175 million per year, or about 9 percent of total Argentine trade, as compared with an average of $35 million in 1952–53. By the end of 1955 increased bloc marketings were keeping pace with larger bloc purchases and had reduced accumulated trade debits. In mid-1955 the U.S.S.R. held a trade exhibit featuring a wide variety of industrial equipment in Buenos Aires, its first exhibit in Latin America.

With the overthrow of Peron in September 1955, bloc trade, which had been largely on a government-to-government basis, faded as rapidly as it had grown. Argentina's new provisional government sought to strengthen economic ties with the free world through settlement of outstanding debts and through multilateral trade arrangements and to liquidate state trade operations. Trade totals with the bloc dropped to about $100 million in 1956 and to less than $50 million in 1957. However, as serious payments problems continued, and since the bloc had trade debts to Argentina, the Argentine provisional government dispatched a mission to the bloc in January 1958.

Credits. The bloc countries have not so far made concrete large-scale offers of credits to Argentina, although such offers are periodically rumored, especially with regard to petroleum supply and development. In the Soviet trade and payments agreements of 1953, Argentina was offered a Soviet credit of $30 million. This was not used, and was scaled down to $4 million in a 1955 protocol, under which Argentina apparently purchased $660,000 in machinery during 1956. Of a similar Czechoslovak credit of $15 million in a 1955 agreement, Argentina used $2 million. Argentine agreements of 1957 with Czechoslovakia, Hungary, and Poland provide for bloc financing of Argentine purchases of capital goods, but without specifying the amount of credit that might be made available. No other offers are known to be pending at this time. Over the long run Argentina has been the trade creditor of the bloc countries and has not gained any significant developmental credits from the bloc.

The Czechoslovak credit of $2 million extended to Argentina covered capital equipment for a coal-washing plant at the government-owned Rio Turbio mines. While terms under this credit extended to 6 years, repayment of 75 percent is due by completion date, now scheduled for late 1958, with the remainder to be paid by 1961. In effect this is a commercial line of credit, although with more liberal terms than usually available, rather than a development credit such as the bloc countries have granted to other areas.

Technical Training. No large number of bloc technicians accompanied the increased commercial interchange between the bloc and Argentina, and all but a few of those who entered Argentina came in connection with contracts made by government agencies, the only important purchasers of bloc machinery and equipment. It is estimated that about 40 bloc technicians were in the country at the end of 1957.

Six Czechoslovak technicians were scheduled to arrive in Argentina to supervise installation of the Rio Turbio coal-washing plant.

Hungarian technicians have accompanied shipments of Ganz railroad equipment purchased by the Argentine state railways in the postwar years. As many as 40 such technicians have worked in Argentina during this period. The Hungarian bid to supply 300 Ganz self-propelled diesel cars to the state railways included an offer of another 250 technicians. Ultimately decision was made to contract for only 90 Ganz cars.

There is no known program of providing technical training to Argentina in the bloc.

Trade. In 1957 bloc trade with Argentina stood at less than $50 million, a sharp decline from the $161 million of 1954 and the peak of $189 million in 1955. Since 1953 the U.S.S.R. has joined Czechoslovakia, Hungary, and Poland as a major partner in Argentina's trade with the bloc, and Soviet trade contributed heavily to the 1954–55 peak through shipments of petroleum and iron and steel products and purchases of hides and meat. Bloc-Argentine trade has consisted largely of bulk commodities. Argentina ships hides, meat, grain, wool, linseed oil, quebracho extract, and other raw materials. Bloc sales to Argentina have included petroleum products, coal, iron sheet, steel bars, rails, aluminum ingots, cement, lumber, wood pulp, and other industrial materials. In addition the bloc has sold some machinery and equipment to state corporations. The largest single item in Argentine sales to the bloc in recent years has been hides, with about $20 million shipped annually in the period 1954–56. Contributing heavily to the bulge in bloc shipments to Argentina in 1954–56 were exports of coal, petroleum products, rolling stock, and rails—all commodities which normally consume a large part of Argentina's dollar resources.

Trade Promotion. Soviet-bloc efforts to promote trade with Argentina have included the negotiation of bilateral trade and payments agreements which fix trade goals and list items to be exchanged, bloc trade exhibits, and trade missions to Argentina.

Bloc trade promotion efforts have failed to stimulate private business interest in bloc merchandise, even when free-world goods cannot be imported and bloc currencies are readily available. Consequently, Argentine state corporations provide the market for the greater part of bloc goods shipped to this country including petroleum to YPF, coal to state power plants, rails to the municipal transport system, and rolling stock to state railroads. Under

Peron, the state trading corporation (IAPI) bought and distributed Skoda trucks and other equipment to the private sector, forcing the goods on the market, but this outlet for bloc merchandise was eliminated with the overthrow of Peron.

Trade and Payments Agreements. Argentina has trade and payments agreements with five bloc countries—the U.S.S.R., Czechoslovakia, Hungary, Poland, and Rumania.

The Soviet-Argentine trade and payments agreement signed August 1953, as amended in May 1955, provides a total trade goal of $100 million, with a swing credit of $11 million. Under the trade and payments agreements with Czechoslovakia, Hungary, and Poland of October 1957 replacing previous agreements, a total trade goal of $130 million is set, with swing credits amounting to $9.5 million. A new trade and payments agreement with Rumania concluded in January 1958 establishes a swing credit of $2 million; no trade goal has been reported.

In 1954 and 1955 bloc-Argentine trade came near meeting established trade goals of some $200 million. The trade goals were again set at roughly the same level in 1957 revisions even though actual trade was proceeding at less than one-quarter of the goals envisaged. Argentine credit balances under its agreements with the bloc totaled about $18 million in late 1957. An Argentine official trade mission to the bloc sought to use those balances and also to purchase goods up to the amount of the swing credits made available under the various agreements with the bloc.

Brazil

Bloc efforts to expand ties with Brazil were intensified in the closing months of 1957 and have achieved more public prominence than concrete results to date. Soviet officials have sought the resumption of diplomatic relations broken by Brazil in 1947. Brazilian ties with the bloc are now maintained through diplomatic and commercial ties with Czechoslovakia and Poland and trade with Hungary. They have consisted primarily of a limited commercial exchange. However, in line with new Soviet moves, including a November 1957 interview by Khrushchev, which related Brazil's alleged vast trade prospects in the bloc to resumption of diplomatic relations with the U.S.S.R., the satellite missions have been suggesting that new markets can be found for Brazilian exports, principally coffee, which are meeting greater competition in the Western world, with consequent accumulation of unsalable stocks.

Credits. Brazil has apparently not so far received any firm offers of long-term developmental credit or technical assistance from bloc countries, although there have been persistent rumors of such offers. While a Polish credit of $2 million on 4-year terms to a private Brazilian shipping firm for purchase of two cargo vessels may qualify as a developmental credit, other credits have been on a strictly limited commercial basis. To the extent that Brazil has been Poland's creditor under bilateral clearing arrangements, as was the case in 1957, actually no credit to Brazil at all is involved. In their campaign for resumption of Soviet-Brazilian relations, Soviet spokesmen have talked of unlimited markets for Brazilian products. This propaganda in turn has given rise to evidently unfounded rumors of large-scale developmental credits that might be provided by the bloc, were Brazil to resume relations with the U.S.S.R.

Technical Training. There is no known program of providing technical training to Brazilians in the bloc, and there are no formal arrangements for bloc technicians to operate in Brazil.

Trade. Brazilian trade with the bloc doubled between 1954 and 1956, from $43 million, or about 1.3 percent of total trade, to $86 million, or 3.3 percent of the total. In 1957 bloc-Brazilian trade was perhaps 10 percent under the peak attained in 1956. Czechoslovakia, Poland, and Hungary accounted for virtually all of this trade. Bloc purchases from Brazil have included coffee, cacao, raw cotton, hides, and iron ore and have represented a substantial part of total Brazilian exports only in the case of hides, which is not a major export commodity. Bloc sales to Brazil consist of a wide variety of manufactures and raw materials, including chemicals, iron and steel products (bars, ingots, wire, tubes, pipes, rails), cement, and various types of machinery (stationary motors, agricultural equipment, lathes). The biggest single Brazilian import from the bloc has been hops and malt, with steel rails taking the second ranking position in 1957.

Trade Promotion. Soviet-bloc efforts to promote trade with Brazil have been largely limited to the activities of the Czechoslovak and Polish Legations, plus the Hungarian resident commercial mission in Rio de Janeiro. These have been supplemented by occasional traveling bloc trade missions. Rumanian and East German trade offers are reported also to have been made in foreign capitals. With respect to the U.S.S.R., private Brazilian firms purporting to be speaking for their government have, from time to time, announced substantial trade offers without, however, any results to date. Both Czechoslovakia and Poland exhibited at the 1955 São Paulo International Trade Fair and plan participation in the forthcoming Industrial Exposition at Rio.

Trade and Payments Agreements. Brazil has trade and payments agreements with three bloc countries—Czechoslovakia, Poland, and Hungary, dating respectively from 1950, 1952, and 1954. These agreements are now operating under temporary short-term extensions pending the negotiation of new agreements. No negotiations have yet been started on the new agreements. Brazilian objectives are to obtain a greater degree of currency convertibility in their trade with the bloc. There has been some small trade with Communist China and East Germany without any formal agreements and payable in sterling.

Brazil's payments-accords with the bloc follow the standard pattern in establishing payments regulations and setting up clearing accounts in agreement dollars. Swing margins in the agreements total $7 million, including $3 million with Czechoslovakia and $2 million each with Hungary and Poland. Brazil has never, so far as is known, invoked the annual right to claim liquidation of excesses over the swing margins in convertible or other acceptable currencies. Both parties to the agreements set forth trade quotas by commodity but these are more illustrative than mandatory.

In recent years Brazil has had difficulty in maintaining equilibrium in its clearing accounts with the Soviet-bloc countries. The tendency has been for Brazil to build up clearing credits which could not be used, prompting periodic imposition of controls aimed at limiting exports to bloc countries. At the end of 1955 Brazil, in relation to the total trade involved, was a substantial creditor with the three bloc countries with which it has direct trade relations. By the end of 1956 overall bloc accounts were approximately in balance, but by November 1957 the Brazilians were again in a creditor position. In part this situation may be explained by the fact that the trade consists largely of Brazilian exports of raw material and foodstuffs surpluses that can be shipped out of existing stocks and imports by Brazil of long-lead industrial type items from the bloc. Moreover, bloc products, when imported by private traders, often cannot compete with United States or Western European products unless at a highly subsidized rate of exchange. Since, under the exchange auction system in Brazil, the minimum bid for bloc currencies by importers must be at least equal to 80 percent of those for convertible currencies, large amounts of bloc currencies remain unsold and in effect are carried over from auction to auction. When Brazilian balances of bloc currencies go too high, the Bank of Brazil refuses to authorize exports of certain products, especially those which can earn hard currencies, or alternatively may limit exports to compensating imports.

Uruguay

Soviet-bloc efforts to develop trade with Uruguay first yielded significant results in 1954 when the Soviet Union signed a payments agreement with Uruguay and made heavy purchases of meat. Uruguay agreed to increased bloc purchases which, totaling almost 10 percent of the country's exports, provided temporary relief from burdensome export surpluses. While Uruguayan trade with the bloc has been very uneven, the appeal of an alternative market and source of supply has helped the bloc countries to confirm and extend a network of trade and payments agreements with this country.

Credits. There have been unsubstantiated rumors of impending large-scale credits in recent months. Under Uruguayan trade and payments agreements with the bloc there are provisions for swing credits and overdrafts amounting to about $5 million. However, Uruguay has been on balance the trade creditor of the bloc countries.

Technical Training. There is no known program of providing technical training to Uruguayans in the bloc.

Trade. In 1957 the bloc's direct trade with Uruguay totaled about $12.5 million, as compared with $26.4 million in 1954, $13 million in 1955, and $18.6 million in 1956. In addition to direct trade sizable shipments of Uruguayan wool and wool tops reportedly have reached the bloc through third countries.

Including indirect shipments, trade in 1955–56 probably totaled more than $50 million, or about one-eighth of total trade. The drop in trade during 1957, hitting indirect as well as direct shipments, in part reflected an overall slowdown in Uruguayan trade.

In recent years, Czechoslovakia and Poland have been Uruguay's principal bloc partners in direct trade, although in 1954–55 the Soviet Union rose to prominence as the largest bloc trader in Uruguay. Chief Uruguayan exports to the bloc are wool, meat, and hides, which account for 80 percent of Uruguay's total exports. Bloc supplies to Uruguay have consisted primarily of industrial materials, such as cement, chemicals, newsprint, iron and steel piping, and certain raw materials, notably cotton.

The bloc, although it has proved a somewhat erratic market for direct Uruguayan exports, has apparently purchased substantial quantities of Uruguayan wool through third countries. Overall the bloc purchases have helped to remove burdensome surpluses from time to time.

Trade Promotion. Soviet-bloc efforts to promote trade with Uruguay have included negotiations for trade and payments agreements, with conclusion of pacts by all European-bloc countries except Rumania and Albania, and extensive, if inconclusive, negotiations by Communist China. In early 1958 negotiations for a payments pact with Rumania were under way. Although only the Soviet Union, Czechoslovakia, and Rumania maintain diplomatic relations with Uruguay, other bloc countries either maintain permanent trade delegations in Montevideo or operate through traveling missions. The resident missions apparently act directly as sales agents, and advertise in trade journals as such. During 1956 Czechoslovakia staged a well-publicized and well-received industrial exposition in Montevideo, displaying a wide variety of machinery, including tractors, and various consumers goods. Uruguayan participation in trade fairs held by bloc countries has also been encouraged.

Trade and Payments Agreements. Uruguay's trade with the Soviet-bloc area in the postwar period has been governed principally by payments agreements concluded between the Uruguayan Bank of the Republic and banks of bloc countries. In early 1958 the agreements extended to all except Albania, Communist China, and Rumania and were the subject of negotiation with Rumania. The Uruguayan Government has also negotiated government-to-government trade and payments agreements with Czechoslovakia (1955) and the Soviet Union (1956); ratification of the former was completed in 1957. These pacts, which include a commercial treaty, a commercial convention, and a payments agreement, replace the interbank payments agreements and serve to formalize Uruguayan relations with the bloc. While made for a limited period, they are tacitly renewable. One feature of the Czechoslovak and Soviet payments agreements that is presumably attractive to Uruguay is provision for use of account balances in payments to third countries.

X. EUROPE

Iceland

The Soviet-bloc economic offensive in Iceland has been closely geared to the internal political situation and particularly to the defense policies of the country. In the early postwar years, when the Communists were in the Icelandic Government, trade with the U.S.S.R. increased rapidly. In 1947, however, a government was formed which excluded the Communists, and for the next 5 years the U.S.S.R. showed little interest in trade with Iceland.

In 1951 the United States-manned NATO Defense Force activated defense installations in Iceland, and in 1952, in retaliation for Icelandic extension of its territorial waters, United Kingdom fishing interests instituted a landing ban on Icelandic fish in United Kingdom ports. This latter development hastened the transformation of Icelandic fish production from fresh fish to frozen fillets, resulting in an increased need for markets for frozen fish. Seeing here an opportunity to weaken Iceland's NATO orientation, the Soviet Union almost overnight became a major taker of Icelandic frozen fish fillets. In 1952 the bloc accounted for about 7 percent of Iceland's foreign trade, and by 1957 this figure had increased to about 34 percent. During the past year the bloc has intensified its efforts to increase economic penetration through trade and credits.

Credits. In 1956, before the formation of the present government, which includes Communists, Iceland accepted a 7-year commercial credit from Czechoslovakia totaling $1.7 million for the purchase of small hydroelectric units and transformer stations. The credit is to be repaid through Icelandic fish exports to Czechoslovakia, and provision for repayment was incorporated into the 1957 Icelandic-Czechoslovak trade agreement.

Late in 1956 Iceland and East Germany signed an agreement for the construction of five 75-ton fishing boats in East Germany, payable via the Icelandic–East German trade agreement. In 1957 Iceland and East Germany signed a further agreement for the construction in East Germany of twelve 250-ton fishing vessels, at a cost of $3.2 million, repayable over a 4-year period through credits on the Icelandic clearing agreement with East Germany.

In 1957 the U.S.S.R. was reported to have offered Iceland a long-term, low-interest credit totaling $24.5 million. The reported U.S.S.R. credit has not been accepted by Iceland.

Trade. Icelandic trade with the Soviet bloc has shown a considerable increase since 1954. In 1954 Iceland's exports to the bloc were valued at $12.9 million, which was 25 percent of total export value. Imports were valued at $12.7 million, which was 18 percent of the value of total imports. In 1957

Icelandic exports to the bloc of $20.3 million were 34 percent of the value of total exports, while imports valued at $27.8 million were 33 percent of total imports.

The principal bloc trading partners are the U.S.S.R., which accounts for about two-thirds of the total trade volume, Czechoslovakia, and East Germany. The principal Icelandic exports are frozen fish fillets and salted herring. The principal Icelandic imports from the U.S.S.R. are petroleum products, cement, coal and coke, timber, and iron and steel products. From Czechoslovakia the main Icelandic imports are textiles, machinery, hardware, footwear, ceramic and glass products, and vehicles. From East Germany the main imports are sugar, cement, chemicals, diesel engines, machinery, machine tools, and fishing vessels.

Bloc trade promotion efforts have been rather ambitious, considering the small size of the area. In 1955 a Soviet-Czechoslovak-Chinese trade fair was held in Reykjavik, and a Czechoslovak-East German-Rumanian fair was held there in 1957. East Germany opened a trade office in Reykjavik early in 1957.

Iceland has trade and payment agreements with the following bloc countries: the U.S.S.R., East Germany (Chamber of Foreign Commerce of German Democratic Republic and Icelandic Barter Association), Czechoslovakia, Poland, Rumania, and Hungary. In general, these agreements have been fulfilled.

Yugoslavia

Because of its key geographical position between East and West, and its experiences following expulsion from the Cominform in 1948, Yugoslavia avoided too extensive economic dependence on the Soviet bloc. However, it has not yet achieved that point of economic development where it can maintain a safe balance-of-payments position without reliance on extensive foreign aid and credits. Therefore, even since the resumption of economic relations with the Soviet bloc in 1954, it has continued to accept assistance from, and carry on large-scale trade with, the free world.

In the period immediately following World War II, while it was a member of the Cominform, Yugoslavia maintained close economic and trade relationships with the U.S.S.R. and the countries of the Soviet bloc in Eastern Europe. Almost half of its total trade was with the Soviet bloc, and the bloc's share of certain key Yugoslav imports, such as raw cotton, coke and base metals, and manufactures, considerably exceeded 50 percent. Principal exports to the bloc included meat, tobacco, beverages, pyrites, iron ore, and copper.

During the period 1945–48, Yugoslavia contracted investment credits with the bloc totaling $375 million, although only $23.7 million was actually utilized prior to the rupture of relations. Yugoslavia was also a creditor, granting credits totaling $100 million (of which $40 million had been used prior to the break) to Albania, as well as credits in lesser amounts to other bloc countries. Yugoslavia also enjoyed substantial foreign exchange earnings from bloc transit (through the port of Rijeka) and tourist traffic in this period.

Plans laid for a customs union between Yugoslavia and Bulgaria were interrupted by Stalin's opposition and finally laid to rest by Yugoslavia's expulsion from the Cominform in June 1948. Despite the expulsion, trade continued to flow in the second half of 1948 at nearly the same level as during the first half. Trade fell off sharply in the first few months of 1949, however, with the bloc countries failing to fulfill their contractual obligations, according to the Yugoslavs. All trade between Yugoslavia and the Soviet bloc ceased in mid-1949.

The blow dealt to the Yugoslav Five-Year Plan by the rupture was severe; the Yugoslavs at that time were dependent on the bloc (chiefly the U.S.S.R. and Czechoslovakia) for most of their fuel imports, about four-fifths of their fertilizer and pig iron imports, and extensive quantities of rolling stock and other equipment. In 1949 the value of Yugoslav exports fell by one-third.

The break led to a sharp expansion of trade with free-world countries, a rapid rise in defense expenditures, and a modification of the rate of industrialization. The heavy strain on Yugoslav resources was partly alleviated through large-scale economic assistance from the United States, Great Britain, and France. The basic goal of the Soviet economic blockade of Yugoslavia—to reduce it to the same level of political and economic dependence on the U.S.S.R. as the satellite countries of Eastern Europe—was thwarted largely as a result of this aid from the West.

After the death of Stalin in 1953 the new Soviet leadership, recognizing the pivotal Yugoslav position, and willing to admit that the previous Soviet attitude and actions had been mistaken, set about repairing economic relationships with Yugoslavia which had been ruptured as a result of the 1948 break. The trade embargo imposed by Stalin in an attempt to bring the Yugoslavs to heel was lifted. Trade resumed at the end of 1954 on the basis of barter agreements.

Bulganin and Khrushchev's June 1955 visit to Belgrade, designed to patch up political relations, also accelerated the economic *rapprochement*. During 1955 regular trade and payments agreements were concluded with most Soviet-bloc countries and settlements were made of mutual financial claims dating back to the Cominform period. In September 1955 an agreement in principle was reached by which the Soviet Union agreed to extend long-term, low-interest credits to Yugoslavia. In early 1956 Yugoslavia signed implementation protocols with the U.S.S.R. under this agreement and received additional credits from Poland, Czechoslovakia, and East Germany. Trade with the Soviet bloc continued to expand, both relatively and absolutely, even during the period of strained Yugoslav-Soviet relations which followed the Hungarian revolt. The polemics between Belgrade and Moscow over the Hungarian issue, however, led the U.S.S.R. to take the position that it could not until 1961 begin deliveries of equipment for major developmental projects promised under the credits granted in 1955 and 1956. Following an improvement in Yugoslav-Soviet political relations this issue was resolved by an agreement in July 1957, under which the Soviet Union and Yugoslavia fixed a new compromise delivery schedule.

Bloc Credits. Since early 1956, the Soviet bloc has agreed to provide Yugoslavia with credits amounting to $464 million, of which $299 million is to be furnished by the Soviet Union.[1] The Soviet credits include the following: a $110 million line of credit for the purchase of industrial equipment; a $30 million gold and hard currency credit; a $54 million credit for the purchase of raw materials, including agricultural products; a joint credit with East Germany of $175 million for the construction of an aluminum combine, in which the Soviet share reportedly amounts to $105 million. Czechoslovakia has granted Yugoslavia two credits: a $25 million credit for consumer goods and a $50 million credit for capital goods. Poland has extended a $20 million credit for the purchase of rolling stock and industrial equipment. All these credits bear 2 percent interest and have a 10-year repayment period. At the beginning of 1958, however, less than half of these credits had been utilized.

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[1] Based on figures available as of February 15, 1958.

Yugoslavia has recently revised its planning policy to give increased emphasis to investments in agriculture and export industries, and the Yugoslav leaders have stated that large industrial projects will in the future be financed mainly by foreign credits. Thus the Soviet-bloc assistance has been primarily utilized for large-scale projects such as an aluminum combine in Montenegro to be financed by the joint Soviet–East German $175 million credit, a fertilizer factory in Pancevo, and a lignite mining combine in the Kosovo-Metohija region to be financed under the $110 million Soviet investment credit. Soviet credits have also aided agriculture—large amounts of Soviet wheat were shipped in the fall of 1956 under the $54 million credit and land reclamation machinery has been delivered under the $110 million investment credit.

Yugoslavia was able to utilize a substantial portion of the Soviet credits, including the entire $30 million gold and hard currency credit, during 1956, but worsening political relations between Belgrade and Moscow following the Hungarian revolt in November of that year brought deliveries under the credits to a standstill. On February 26, 1957, the Yugoslav Foreign Minister complained publicly that the Soviet Union was making "unacceptable" demands for postponement of deliveries under the credits granted a year before. Apparently, the major items involved were deliveries for the aluminum project which the Soviet Union wished to postpone until 1961 or 1962, when the Yugoslavs, under the original agreement, had hoped to have the first stage of the project in operation. Moscow reportedly also withheld deliveries for power plants and two fertilizer factories scheduled under the $110 million investment credit. Soviet stalling on the developmental credits provoked much bitterness in Yugoslavia, where it was interpreted as political pressure.

Under the terms of a protocol of January 28, 1956, the Soviet Union promised to supply a nuclear reactor for a Yugoslav atomic research center; a protocol was signed on February 2, 1957, confirming this agreement. The Soviet Union apparently also delayed in shipping the reactor and it had not yet been delivered by the end of 1957. Yugoslav officials have since stated publicly, however, that it would be operating by September 1958.

The improvement in political relations between Yugoslavia and the Soviet Union in mid-1957 led to an agreement fixing new schedules for delivery of capital equipment under the $175 million aluminum credit. According to the new schedule the aluminum combine will be completed by 1964. This represents a stretchout of 2–3 years from the original 1956 agreement. Agreement was also reached for programing under the $110 million investment credit and work has already begun on a fertilizer factory with an annual capacity of 360,000 tons and a lignite-mining combine (including a thermal power station). Although there have been some delays in equipment deliveries, the Soviet Union is at present apparently fulfilling its credit commitments.

Technical Training. Yugoslavia currently has technical cooperation protocols with most of the bloc countries providing for the exchange of technical information, but the number of bloc technical personnel working in Yugoslavia is probably only about 50. Most of the Soviet technical experts in Yugoslavia are working on investment projects financed by the U.S.S.R. Thus 12 Soviet experts are supervising the construction of the fertilizer factory in Pancevo and some are probably helping to draft the plans for the lignite combine and the aluminum project. A small number are almost certainly overseeing the construction of installations for the Soviet nuclear reactor at the Yugoslav atomic research center.

The technical exchanges planned under the Yugoslav-bloc technical cooperation protocols have been slow in getting under way. Yugoslavia had a bitter experience with a flood of Soviet technicians prior to 1948 and is now apparently determined to keep the exchange of technicians at a modest level and on the basis of reciprocity.

Trade. Even during the period of especially strained Soviet-Yugoslav political relations during early 1957, Yugoslavia's trade with the Soviet bloc continued to flow smoothly. Yugoslav exports to the bloc during the first 10 months of 1957 came to $82 million (25.9 percent of total exports) and imports from that area to $110.4 million (19.5 percent of total imports). Trade with the bloc has been mounting steadily since 1954, both absolutely and relatively. In that year Yugoslav exports to the bloc came to only $6.2 million (2.6 percent of total exports) and imports from that area amounted to $4 million (1.2 percent of total imports).

The Soviet Union is currently by far Yugoslavia's largest trading partner within the bloc. It accounted for 47.5 percent of Yugoslavia's total trade turnover with the bloc during the first 10 months of 1957 and held fourth place among Yugoslavia's world trading partners, behind the United States, Italy, and West Germany. At the end of October 1957 there was a $15 million balance in favor of the U.S.S.R. on current account (1957 commitments are $56 million each way). There was also a $9.4 million balance in Czechoslovakia's favor on its current account (1957 commitments total $33.4 million), much of which was undoubtedly covered by Yugoslav transit services. All other accounts with the bloc countries were approximately in balance.

Primary products and agricultural goods dominate Yugoslav exports to the bloc. In contrast to the pre-1948 situation, Yugoslavia now exports only limited amounts of base metals to the Soviet bloc. There appears to be a continuing bloc demand for Yugoslav products which are not readily marketable in the West. Industrialization has also increased Yugoslav requirements for certain primary products, including raw cotton and petroleum, which can be procured with relative ease from the bloc. In addition, the U.S.S.R. has supplied some wheat and much-needed coking coal. The share of primary products in Yugoslavia's imports from the bloc is now much larger than in 1948, while the share of base metals, manufactures, and machinery is lower.

There is no information available on prices, but it is probable that Yugoslavia has not been accorded special treatment by the bloc countries.

The Soviet-bloc countries participate regularly in Yugoslav trade fairs, such as the Zagreb International Fair. There are also some 50–100 Soviet commercial representatives in Yugoslavia. No other particular trade promotion efforts have been noted.

Since 1955 Yugoslavia has had annually renewed trade and payments agreements with all the Soviet-bloc countries and Communist China. Two features of these agreements warrant special attention: first, all contain commodity quotas, which are not firm commitments but rather targets to be fulfilled to the extent possible; second, the accords generally specify the basis on which prices in contracts concluded under the agreement will be fixed. Yugoslavia has also signed 3-year trade agreements with four bloc countries (Rumania, U.S.S.R., Poland, and Czechoslovakia) which together accounted for 82.9 percent of Yugoslav trade with the bloc during 1956. The long-term arrangements provide for the annual exchange of certain amounts of basic commodities, thus facilitating the conclusion of annual protocols.

The bloc appears to be fulfilling its trade commitments at a normal rate. By the end of October 1957, it had fulfilled 80.8 percent of its $136.7 million export commitment to Yugoslavia, while Yugoslavia had met 61.5 percent of its $133.3 million commitment to the bloc. It is quite possible that final 1957 trade statistics will disclose that the bloc met its annual target.

Although Yugoslavia's trade with the bloc has been steadily increasing since 1954, the Yugoslavs have been careful not to let it attain the 1948 level, when trade with the bloc constituted almost 50 percent of total Yugoslav trade. Not only are Yugoslav memories of the Cominform blockade still fresh, but since 1948 trade and credit relationships have been established with the free world. Replacement parts for the existing industrial plant, which is based largely on capital imports from the West, are likely to be obtained from that source rather than from the bloc. The Yugoslavs are currently seeking and finding markets for their industrial products in the less developed areas of the free world, such as the Near and Far East. Finally, Yugoslavia incurred a large debt to the free-world countries following the Cominform break, and servicing of this debt will require exports to the West to be maintained at a high level. For these reasons, Yugoslavia appears inclined to increase its trade with bloc countries parallel with, not at the expense of, its trade with the free world.

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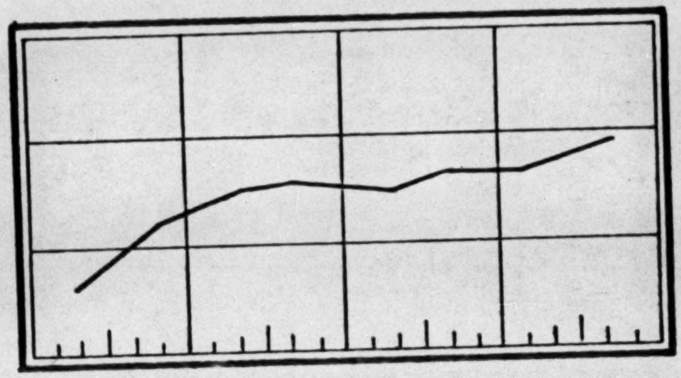
HEALTH, EDUCATION, AND WELFARE

INDICATORS



JULY 1958

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
U.S.A.

OFFICE OF THE SECRETARY -- OFFICE OF PROGRAM ANALYSIS

HEALTH, EDUCATION, AND WELFARE

INDICATORS

July 1958

Office of Program Analysis

UNITED STATES DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

ANNOUNCEMENT

Health, Education, and Welfare Indicators is being issued as a monthly administrative report for use within the Department of Health, Education, and Welfare.

This issue includes charts and statistical tabulations on 39 subjects of interest to the Department. Monthly or quarterly information is available on 33 of these subjects, and the pages devoted to them will be regularly up-dated and included in subsequent issues.

Also included in this issue are charts and tables on 6 subjects prepared in connection with the annual volume of Trends in Health, Education, and Welfare that is now being developed. The 6 subjects are:

Medical, Dental, and Professional Nursing
  Schools, Students, and Graduates
Poliomyelitis: Annual Incidence
Venereal Disease
Selected Communicable Diseases
Illegitimate Births
School Instructional Staff

Annual data on these subjects are presented in this issue of HEW Indicators in order to make them available promptly on a current basis. They will not be regularly included in subsequent issues. Instead, additional materials being compiled for the annual volume will be included as they become available.

When a sufficient number of the annual tables are ready, they will be brought together and reissued as the first edition of Trends in Health, Education, and Welfare. Until such a compilation is made available, however, it is suggested that this and prior issues of the Indicators be retained for reference purposes. The tables included in the May and June issues that are not repeated in this issue are so indicated in the Table of Contents.

ABBREVIATIONS USED

The following abbreviations and symbols are used in this report:

(p)	Preliminary figure or provisional estimate
(r)	Revised figure
-	No entry because data are not applicable

When figures are not yet available, the space is left blank.

HEALTH, EDUCATION, AND WELFARE INDICATORS

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TOBACCO CONSUMPTION AND MORTALITY FROM CANCER AND OTHER DISEASES

In 1954 the Public Health Service, in cooperation with the Veterans Administration, initiated a study of tobacco consumption and causes of death among U. S. Government Life Insurance policy holders. The first results of this study, summarized below, were presented on July 8, 1958, to the Seventh International Cancer Congress in London by Dr. Harold F. Dorn, chief statistician for the National Institutes of Health.

The data are based on (a) answers to questionnaires obtained prior to July 1954 from nearly 200,000 veterans, mostly male, who had served in the Armed Forces during the period 1917-1940, and (b) on death certificates and medical information on causes of death of the 7,382 policyholders who died during the period July 1954-December 1956.

A Statistical Relationship Between Death Rates and Smoking Is Again Shown.

This survey generally supports the findings of earlier studies that demonstrate a statistical relationship between death rates and smoking. Of the 7,382 deaths that occurred in the group under study, 6,203 were smokers and 1,179 were nonsmokers. The death rate from all causes for those who used tobacco was 16 per thousand compared with 13.1 per thousand for persons who never smoked. Adjusted to take into account differences of age distribution between the two groups, the death rate was 32 percent higher for smokers than for nonsmokers.

Smokers of "Cigarettes Only" Have the Highest Death Rate.

Persons who regularly smoked only cigarettes had the highest death rate of all groups of smokers--58 percent greater on an age-adjusted basis than the death rate for nonsmokers. Persons who have smoked regularly only cigars, pipe, or cigars and pipe die at a rate only slightly in excess of that for nonsmokers. Individuals with a history of regularly smoking cigars and/or pipe in addition to cigarettes are subject to a mortality rate definitely greater than that for nonsmokers but less than the rate for persons who have regularly smoked cigarettes only. Occasional smoking, irrespective of the form of tobacco used, apparently has no effect upon the total death rate.

Death Rates Are Directly Related to Amount Smoked.

The excess mortality of cigarette smokers is directly related to the average daily number of cigarettes smoked. Those who smoke two packs or more a day have the highest death rate--nearly twice that for nonsmokers. Cigar or pipe smoking apparently does not increase the total mortality rate unless large amounts of tobacco are consumed. The death rates for the heaviest cigar or pipe smokers, those currently smoking 9 or more cigars or 20 or more pipefuls per day, are about the same as the rate for persons who smoke from one half to one pack of cigarettes per day.

Cigarette Smoking Greatly Increases the Risk of Lung Cancer.

By far the greatest increase for smokers in the risk of developing a disease is that for lung cancer. For all persons who had ever smoked, the observed number of cases of lung cancer was 312 compared with 52 expected, a mortality ratio of 6.0. However, the size of the increased risk varies widely among the various groups of smokers, ranging from 1.33 for pipe smokers to 9.35 for "cigarette only" smokers.

Regular Cigarette Smokers Also Had Higher Death Rates from Other Diseases.

For no other disease does the excess mortality among smokers approach that for lung cancer. The next highest mortality ratio is for a group of respiratory diseases including pulmonary tuberculosis, asthma, bronchitis, emphysema, pneumonia, and pleurisy. Similarly to lung cancer, the highest ratio in this group of diseases, 2.76, is for persons who smoke cigarettes only. There is no evidence that persons who regularly smoke only cigars or a pipe experience a higher death rate from these respiratory diseases than do nonsmokers.

Nearly two-thirds of the deaths of persons who had used tobacco were attributed to diseases of the cardiovascular-renal system, including chronic nephritis, arteriosclerosis, hypertension, rheumatic heart disease, chronic endocarditis, and coronary occlusion, sclerosis, and thrombosis. The risk of dying from one or more of these diseases is 31 percent greater for regular smokers than for nonsmokers. Again, the risk is greater for regular cigarette users, especially those who have smoked only cigarettes, than it is for users of other forms of tobacco. There is no indication that regular cigar or pipe smokers experience a higher death rate than nonsmokers. Mortality ratios for cancer exclusive of cancer of the lung are similar in magnitude to those for cardiovascular disease except for the fact that the ratios for cigar and pipe smokers are as high as those for cigarette smokers. Smokers have no greater risk of committing suicide or of being killed in an accident than do nonsmokers.

* * *

NOTE: Selected mortality data on smokers and nonsmokers are given on the following page. For more detailed tabulations and for information on methodology see Harold F. Dorn, "Tobacco Consumption and Mortality from Cancer and Other Diseases." Copies of this paper are available on request at the National Institutes of Health, Bethesda 14, Maryland.

SELECTED MORTALITY DATA ON SMOKERS AND NONSMOKERS

Smoking history	Number of deaths	Death rate per 1,000 (all ages)	Ratio of observed to expected deaths 1/			
			Total	Lung cancer	Respiratory diseases	Cardiovascular diseases
Never smoked	1,179	13.1	1.00	1.00	1.00	1.00
Used tobacco	6,203	16.0	1.32	6.00	1.66	1.27
Regular smoker	5,564	16.4	1.36	6.64	1.80	1.31
Cigarette only	2,771	17.2	1.58	9.35	2.76	1.53
Cigarette and cigar . . .	363	17.1	1.31	7.00	1.00	1.23
Cigarette and pipe	805	15.1	1.36	6.29	2.25	1.32
Cigarette, cigar, pipe . .	574	15.8	1.20	6.20	1.25	1.14
Cigar only	433	15.2	1.07	1.50	.43	1.00
Cigar and pipe	342	15.6	1.08	2.00	.40	1.00
Pipe only	276	15.5	1.10	1.33	1.50	1.11
Occasionally only	345	12.3	.98	1/	1/	1/
Amount unknown	294	13.9	1.06	2.00	.75	1.06

1/ The expected number of deaths was computed by multiplying the number of person-years exposure in each age group for each smoking history category by the age-specific death rates from each cause of death of persons who had never smoked (or, in the case of the disease groups, of persons who had never smoked or who had used tobacco only occasionally).

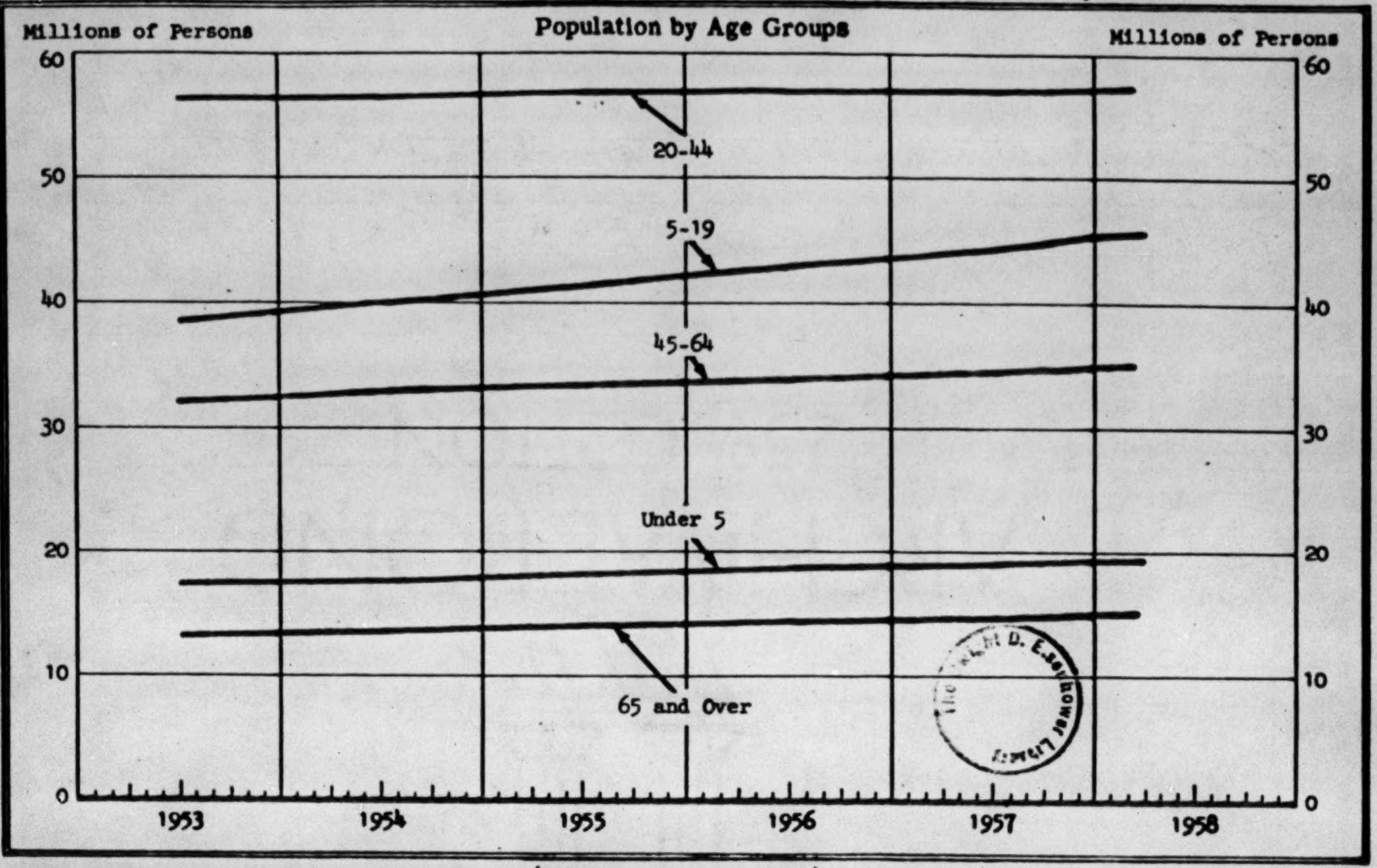
MORTALITY OF REGULAR SMOKERS BY CURRENT AMOUNT SMOKED
(Ratios of observed to expected deaths) 1/

Smoking history	Current number of cigarettes smoked				
	Occasional	Under 10	10-20	21-39	40 or more
Cigarette only	.96	1.29	1.66	1.77	1.99
Cigarette and cigar	1.08	.90	1.30	1.75	2.71
Cigarette and pipe	1.00	1.03	1.36	1.88	1.40
Cigarette, cigar, pipe	1.14	.88	1.41	1.46	1.73
	Current number of cigars smoked per day				
	Occasional	1-2	3-4	5-8	9 or more
Cigar only	1.05	.71	1.00	.99	1.44
Cigar and pipe	.93	1.16	.99	.87	1.33
	Current number of pipefuls smoked per day				
	Occasional	Under 5	5-9	10-19	20 or more
Pipe only	.86	.96	1.12	.98	1.21

1/ The expected number of deaths was computed by multiplying the number of person-years exposure in each age group for each smoking history category by the age-specific death rates of persons who had never smoked.

POPULATION

The population of the continental United States, including the Armed Forces overseas, reached 173.7 million in May. Of this number 15 million are over 65 years of age. About 65 million are under 20 years old.



(Population in millions)

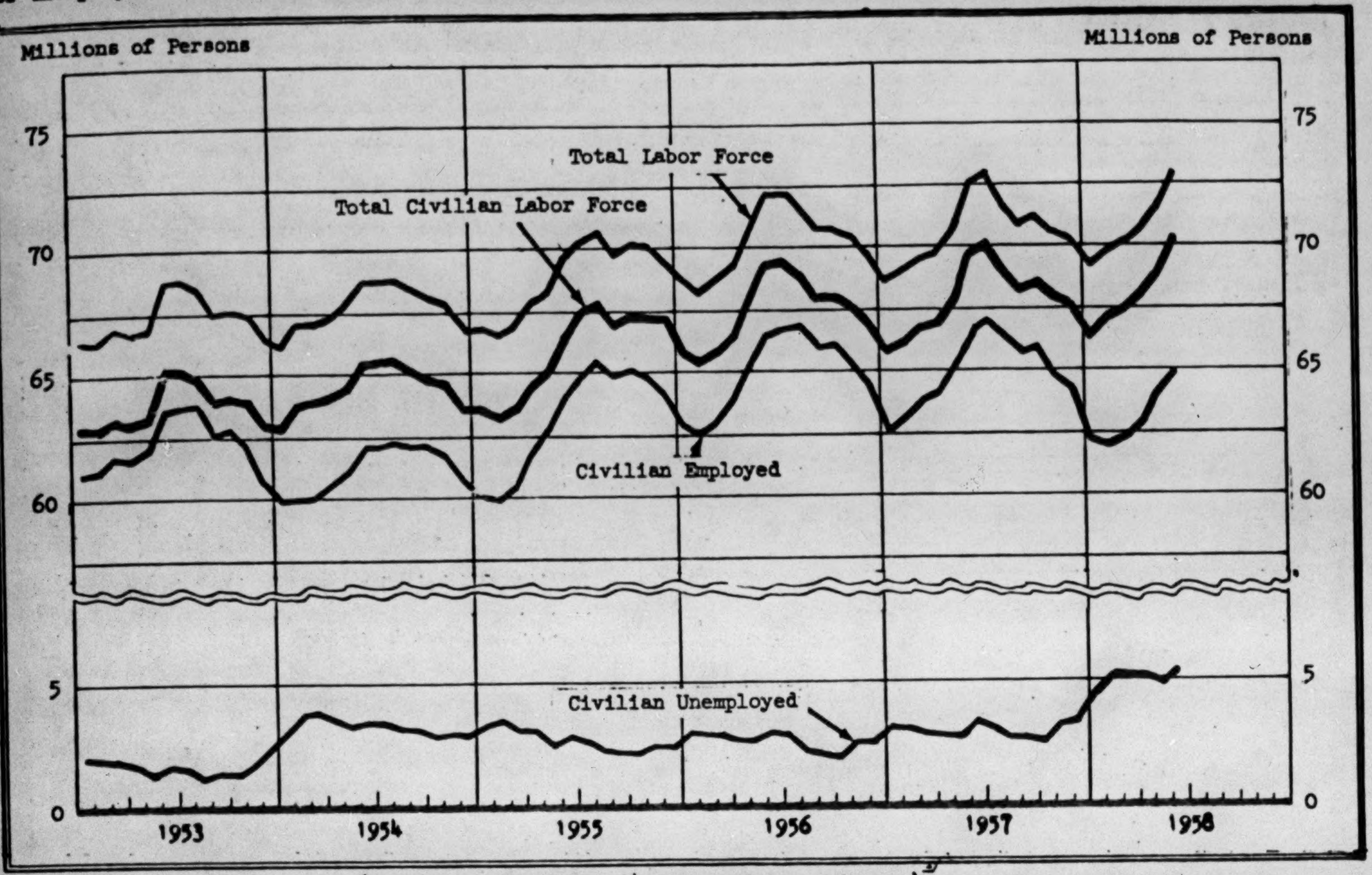
Period 1/	Total including Armed Forces overseas	Total civilian	Residing in the United States excluding Armed Forces overseas 2/					
			Total	Under 5	5-19	20-44	45-64	Over 65
1940	132.1	131.7	132.0	10.6	34.7	51.4	26.2	9.0
1949	149.2	147.6	148.7	15.6	34.5	56.2	30.4	11.9
1950	151.7	150.2	151.2	16.3	35.0	56.8	30.8	12.3
1951	154.4	151.1	153.4	17.2	35.5	56.6	31.3	12.6
1952	157.0	153.4	155.8	17.2	37.2	56.6	31.8	13.0
1953	159.6	156.0	158.3	17.5	38.7	56.5	32.3	13.3
1954	162.4	159.1	161.2	17.8	40.2	56.6	32.9	13.7
1955	165.3	162.3	164.3	18.3	41.5	57.0	33.4	14.1
1956	168.2	165.3	167.3	18.7	43.0	57.1	34.0	14.4
1957	171.2	168.4	170.3	19.1	44.6	57.2	34.6	14.8
1957								
January 1	169.8	167.0	168.9	19.0	43.8	57.0	34.3	14.6
February 1	170.0	167.2	169.2	-	-	-	-	-
March 1 ..	170.3	167.5	169.4	-	-	-	-	-
April 1 ..	170.5	167.7	169.6	19.1	44.2	57.1	34.5	14.7
May 1	170.7	167.9	169.8	-	-	-	-	-
June 1 ...	171.0	168.2	170.1	-	-	-	-	-
July 1 ...	171.2	168.4	170.3	19.1	44.6	57.2	34.6	14.8
August 1 .	171.5	168.7	170.6	-	-	-	-	-
September 1	171.8	169.0	170.9	-	-	-	-	-
October 1	172.1	169.3	171.2	19.3	45.0	57.2	34.8	14.9
November 1	172.3	169.6	171.5	-	-	-	-	-
December 1	172.6	169.9	171.7	-	-	-	-	-
1958								
January 1	172.8	170.1	172.0	19.4	45.5	57.3	34.9	14.9
February 1	173.0	170.4	172.2	-	-	-	-	-
March 1 ..	173.2	170.6	172.4	-	-	-	-	-
April 1 ..	173.4	170.8	172.6	19.5	45.8	57.3	35.1	15.0
May 1	173.7	171.0	172.8	-	-	-	-	-
June 1 ...								

1/ Yearly data are estimates as of July 1. 2/ Because of rounding, the age-group totals do not in all cases add exactly to the total population figures given.

Source: Department of Commerce

LABOR FORCE

Unemployment in June was 5.4 million as compared with 4.9 million in May. However, the seasonally adjusted rate of unemployment dropped from 7.2 to 6.8 percent. Total civilian employment was over 900,000 more than in May.



(Thousands of persons 14 years of age and over) 1/

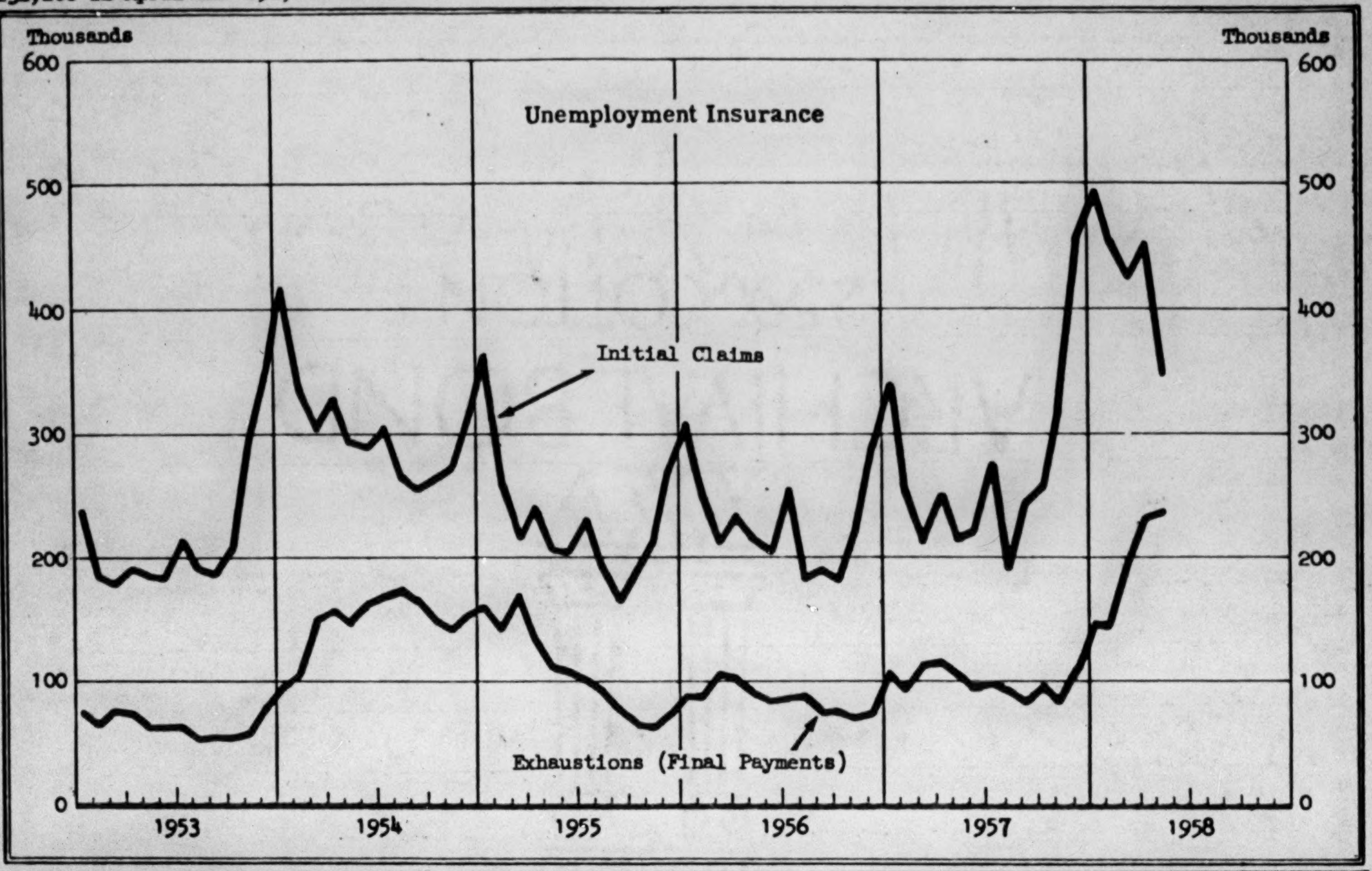
Period	Noninstitutional population	Total labor force	Civilian labor force			Unemployed as per cent of civilian labor force	
			Total	Employed	Unemployed	Unadjusted	Seasonally adjusted
1940	100,380	56,180	55,640	47,520	8,120	14.6	-
1949	109,773	63,721	62,105	58,423	3,682	5.9	-
1950	110,929	64,749	63,099	59,748	3,351	5.3	-
1951	112,075	65,983	62,884	60,784	2,099	3.3	-
1952	113,270	66,560	62,966	61,035	1,932	3.1	-
1953	115,094	67,362	63,815	61,945	1,870	2.9	-
1954	116,220	67,818	64,468	60,890	3,578	5.6	-
1955	117,388	68,896	65,848	62,944	2,904	4.4	-
1956	118,734	70,387	67,530	64,708	2,822	4.2	-
1957	120,445	70,744	67,946	65,011	2,936	4.3	-
1957							
January	119,614	68,638	65,821	62,578	3,244	4.9	4.2
February	119,745	69,128	66,311	63,190	3,121	4.7	4.1
March	119,899	69,562	66,746	63,865	2,882	4.3	3.9
April	120,057	69,771	66,951	64,261	2,690	4.0	4.0
May	120,199	70,714	67,893	65,178	2,715	4.0	4.1
June	120,383	72,661	69,842	66,504	3,337	4.8	4.2
July	120,579	73,051	70,228	67,221	3,007	4.3	4.2
August	120,713	71,833	68,994	66,385	2,609	3.8	4.3
September	120,842	71,044	68,225	65,674	2,552	3.7	4.5
October	120,983	71,299	68,513	66,005	2.508	3.7	4.7
November	121,109	70,790	68,061	64,873	3,188	4.7	4.9
December	121,221	70,458	67,770	64,396	3,374	5.0	5.0
1958							
January	121,325	69,379	66,732	62,238	4,494	6.7	5.8
February	121,432	69,804	67,160	61,988	5,173	7.7	6.7
March	121,555	70,158	67,510	62,311	5,198	7.7	7.0
April	121,656	70,681	68,027	62,907	5,120	7.5	7.5
May	121,776	71,603	68,965	64,061	4,904	7.1	7.2
June	121,900	73,603	70,418	64,981	5,437	7.7	6.8

1/ Beginning with 1949 the figures reflect the new Census Bureau labor force definitions.

Source: Department of Commerce

UNEMPLOYMENT INSURANCE

Average weekly insured unemployment in May dropped to 3.0 million. Exhaustions, however, rose to 236,800 from 231,200 in April and 191,400 in March.



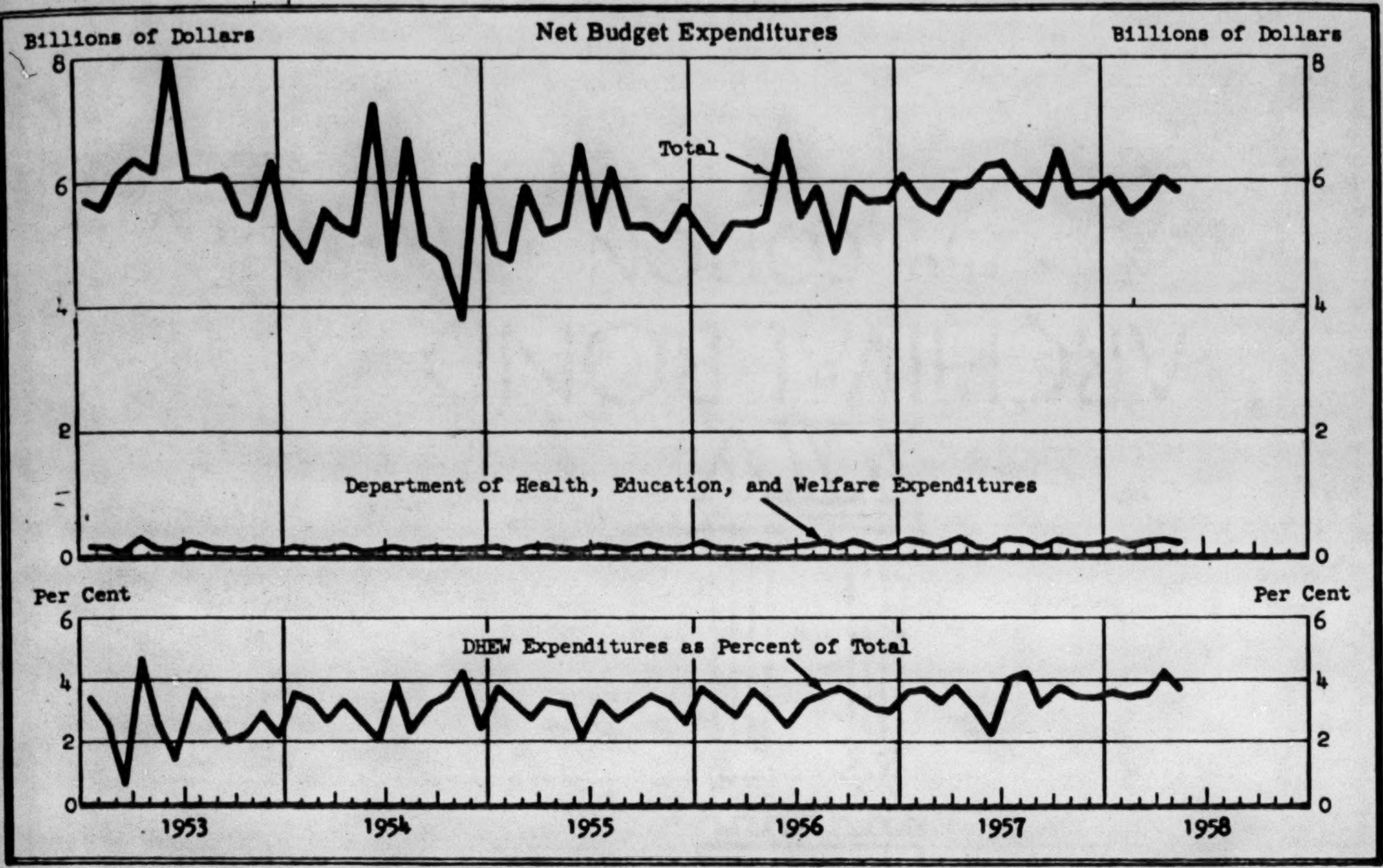
Period	Unemployment insurance coverage (millions)	Insured 1/ unemployed (millions)	Rate 2/ (percent)	Initial claims 1/ (thousands)	Exhaustions (thousands)	Average actual duration of benefits (weeks)	Average weekly payment for total unemployment (dollars)	State funds available for benefits (billions of dollars)
1940	23.1	1.3	5.6	214	2,596.1	9.8	10.56	1.8
1949	31.7	2.0	6.2	340	1,934.8	11.8	20.48	7.0
1950	32.9	1.5	4.6	236	1,853.3	13.0	20.76	7.0
1951	34.9	1.0	2.8	208	810.6	10.1	21.09	7.8
1952	35.7	1.0	2.9	215	931.4	10.4	22.79	8.3
1953	36.7	1.0	2.8	218	764.4	10.1	23.58	8.9
1954	35.4	1.9	5.2	303	1,768.9	12.8	24.93	8.2
1955	39.0	1.3	3.4	228	1,294.3	12.5	25.08	8.3
1956	41.6	1.2	3.1	229	1,020.3	11.4	27.06	8.6
1957		1.5	3.5	271	1,191.3	11.6	28.21	8.7
1957								
January	41.4	1.7	4.4	340	106.7	-	27.73	8.5
February	41.4	1.7	4.3	251	95.2	-	27.85	8.5
March	41.7	1.6	4.0	214	112.5	-	27.72	8.4
April	42.1	1.5	3.6	250	115.1	-	27.72	8.4
May	42.3	1.4	3.3	218	106.5	-	27.47	8.6
June	42.8	1.3	3.0	220	92.5	-	27.44	8.5
July	40.1	1.3	3.1	276	98.9	-	27.59	8.6
August	40.4	1.2	2.8	191	91.6	-	27.87	8.8
September	40.3	1.2	2.8	246	82.9	-	28.64	8.8
October		1.2	3.0	259	94.5	-	29.20	8.7
November		1.5	3.6	320	84.4	-	29.44	8.8
December		2.1	5.1	460	110.6	-	29.75	8.6
1958								
January		2.9	6.9	497	147.0	-	30.09	8.4
February		3.2	7.6	454	145.5	-	30.48	8.3
March		3.3	7.9	427	191.4	-	30.53	7.9
April		3.3	7.9	451	231.2	-	30.88	7.8
May		3.0	7.1	349	236.8	-	30.80	7.7

Note: The data on this page pertain to the State unemployment insurance programs, and, beginning with 1955 to the Unemployment Compensation for Federal Employees (UCFE) program. Coverage under the Veterans Readjustment Act of 1952 and under the program for railroad employees is not included. Figures in all columns include the Territories except "insured unemployed," which relates to the continental United States only. 1/ Weekly averages for periods shown. 2/ Percent that "insured unemployed" is of "unemployment insurance coverage." Annual rates are calculated on the basis of average covered employment for the corresponding fiscal year. Monthly rates are based on average covered employment for the most recent twelve-month period.

Source: Department of Labor

FEDERAL BUDGET EXPENDITURES

In the first 11 months of FY 1958 Federal budget expenditures totalled $65.3 billion. During this period Department of Health, Education, and Welfare budget expenditures were approximately $2.5 billion, or 3.8 percent of the total.



(In millions of dollars)

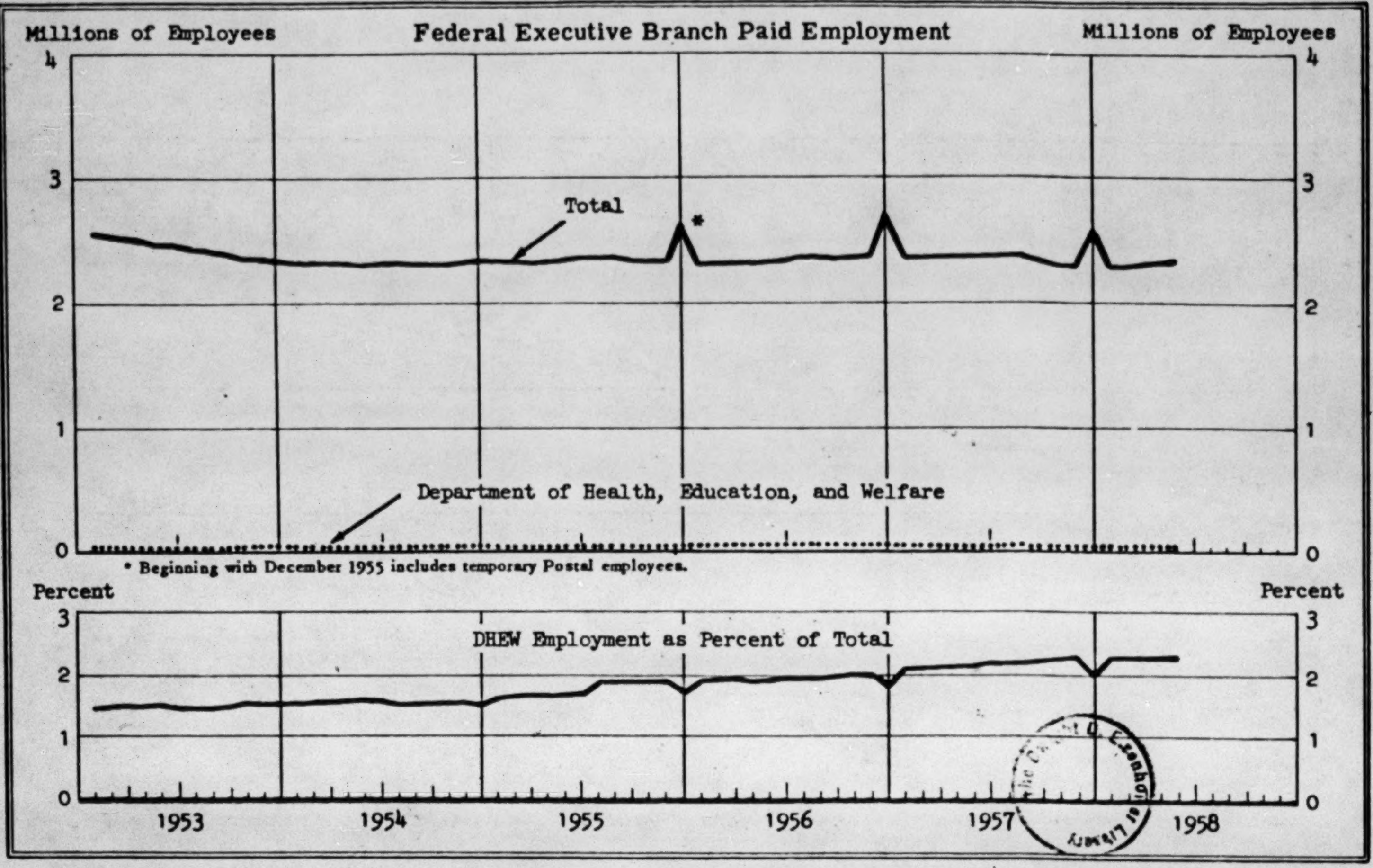
Period 1/	Total net budget expenditures 2/	Expenditures for national security and international 3/	Other expenditures			DHEW expenditures		
			Total	Labor and welfare 4/	All other	Total	As a percent of:	
							Total budget expenditures	Expenditures other than nat. security
1950	39,617	17,683	21,934	1,963	19,971	-	-	-
1951	44,058	26,180	17,878	2,065	15,813	-	-	-
1952	65,408	46,802	18,606	2,168	16,438	-	-	-
1953	74,274	52,579	21,695	2,426	19,269	1,920	2.6	8.8
1954	67,772	48,637	19,135	2,485	16,650	1,981	2.9	10.4
1955	64,570	42,808	21,762	2,552	19,210	1,993	3.1	9.2
1956	66,540	42,487	24,053	2,776	21,277	2,071	3.1	8.6
1957	69,433	45,246	24,187	2,966	21,221	2,295	3.3	9.5
1958 (est.)	72,788	46,339	26,449	3,443	23,006	2,745	3.8	10.4
1959 (est.)	73,934	47,148	26,786	3,643	23,143	2,854	3.9	10.7
1957								
July	6,347	3,705	2,642	317	2,325	257	4.0	9.7
August	5,931	4,085	1,846	272	1,574	249	4.2	13.5
September .	5,666	3,642	2,024	239	1,785	182	3.2	9.0
October ...	6,501	4,060	2,441	358	2,083	242	3.7	9.9
November ..	5,806	3,610	2,196	226	1,970	203	3.5	9.2
December ..	5,809	3,838	1,971	224	1,747	198	3.4	10.0
1958								
January ...	6,095	3,856	2,239	360	1,879	220	3.6	9.8
February ..	5,528	3,688	1,840	222	1,618	196	3.5	10.7
March	5,749	3,768	1,981	235	1,746	212	3.7	10.7
April	6,122	3,746	2,376	317	2,059	255	4.2	10.7
May	5,845	3,780	2,065	291	1,774	221	3.8	10.7
June								

1/ Fiscal years. 2/ Net budget expenditures in general are the ordinary expenditures for which money is appropriated by Congress minus receipts from the sale of goods and services. They do not include most trust fund expenditures, such as from the Old Age and Survivors Insurance Trust Fund. For detailed definitions see current issues of the Treasury Bulletin and the 1959 Federal Budget document, Special Analysis K. 3/ Includes expenditures for major national security, including defense support, and for international affairs and finance. This classification is taken from the 1959 Budget document pages M13 to M27. 4/ Includes, with minor exceptions, all budget expenditures of the Department of Health, Education, and Welfare.

Source: Budget Bureau and Treasury Department

FEDERAL EMPLOYMENT

Federal Executive Branch paid employment was 2.3 million at the end of May. Department of Health, Education, and Welfare paid employment was 54,494 or 2.3 percent of the total.



Period[1]	Federal Executive Branch paid employment	Department of Health, Education, and Welfare paid employment[2]								DHEW as percent of total
		Total	PHS[3]	SSA	StE	FDA	OS[4]	OE	OVR	
1953	2,547,710	36,218	16,130	14,949	2,498	1,046	898	579	118	1.4
1954	2,362,334	35,139	15,459	14,651	2,532	961	892	529	115	1.5
1955	2,336,645	37,563	16,119	16,391	2,567	958	893	512	123	1.6
1956	2,377,094	45,026	21,222	18,474	2,675	1,058	920	539	138	1.9
1957	2,410,095	49,723	23,126	20,989	2,731	1,150	972	611	144	2.1
1958										
1959										
1957										
January	2,374,898	50,125	23,139	21,387	2,731	1,130	978	621	139	2.1
February	2,378,475	50,554	23,310	21,574	2,733	1,163	981	642	151	2.1
March	2,380,856	51,241	23,504	22,066	2,740	1,160	983	646	142	2.2
April	2,383,783	51,591	23,554	22,336	2,739	1,168	999	651	144	2.2
May	2,381,238	51,710	23,637	22,353	2,738	1,160	1,006	655	161	2.2
June	2,389,040	52,591	24,312	22,472	2,755	1,227	1,001	662	162	2.2
July	2,395,257	53,094	24,627	22,626	2,755	1,274	1,003	660	149	2.2
August	2,388,300	52,912	24,480	22,659	2,724	1,261	992	650	146	2.2
September	2,354,469	52,524	24,262	22,494	2,716	1,256	1,003	646	147	2.2
October	2,327,946	52,959	24,457	22,638	2,734	1,273	1,029	671	157	2.3
November	2,317,911	53,291	24,589	22,821	2,739	1,298	1,041	656	147	2.3
December	2,592,302	53,291	24,525	22,849	2,734	1,331	1,046	658	148	2.1
1958										
January	2,307,333	53,336	24,568	22,804	2,754	1,332	1,052	665	161	2.3
February	2,309,634	53,613	24,679	22,943	2,775	1,334	1,060	670	152	2.3
March	2,311,936	53,983	24,774	23,219	2,771	1,342	1,063	662	152	2.3
April	2,321,543(r)	54,205	24,810	23,389	2,779	1,349	1,068	659	151	2.3
May	2,321,833	54,494	25,035	23,447	2,766	1,351	1,069	666	160	2.3
June										

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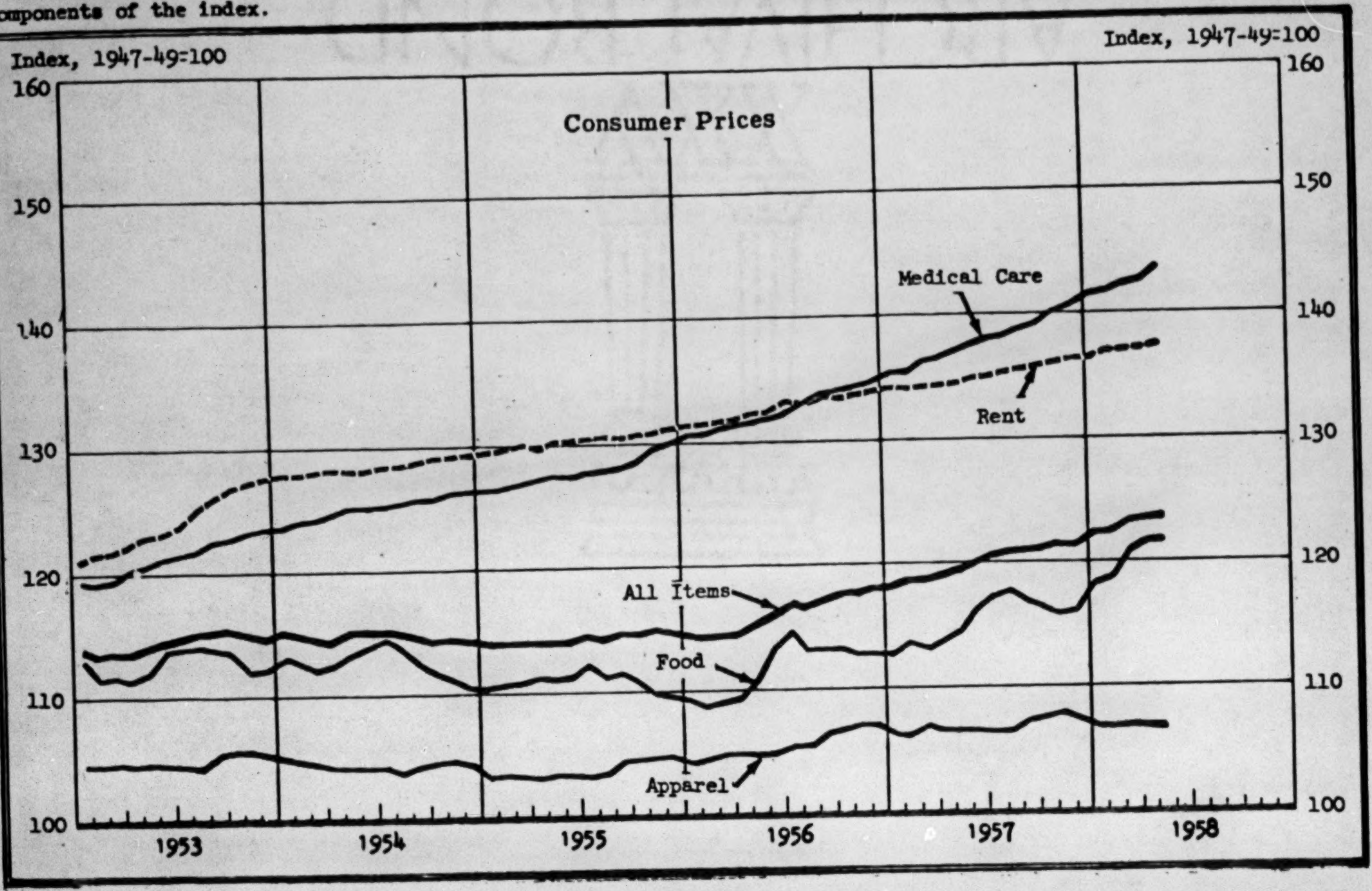
[1] Employment as shown for each fiscal year is an average of the month-end totals for the twelve months of the year. Monthly employment figures are as of the end of the month. [2] Abbreviations used in this part of the table refer to the organizational segments of the Department of Health, Education, and Welfare, as follows: PHS, Public Health Service; SSA, Social Security Administration; StE, Saint Elizabeths Hospital; FDA, Food and Drug Administration; OS, Office of the Secretary; OE, Office of Education; and OVR, Office of Vocational Rehabilitation. [3] Includes commissioned officers of the Public Health Service. [4] In addition to the immediate office of the Secretary includes personnel of the Office of Field Administration, Office of Administration, and Office of the General Counsel.

Source: Civil Service Commission and Department of Health, Education, and Welfare

CONSUMER PRICES

The consumer price index rose to 123.6 in May (1947-49 = 100). Medical care, at 143.7, leads all other major components of the index.



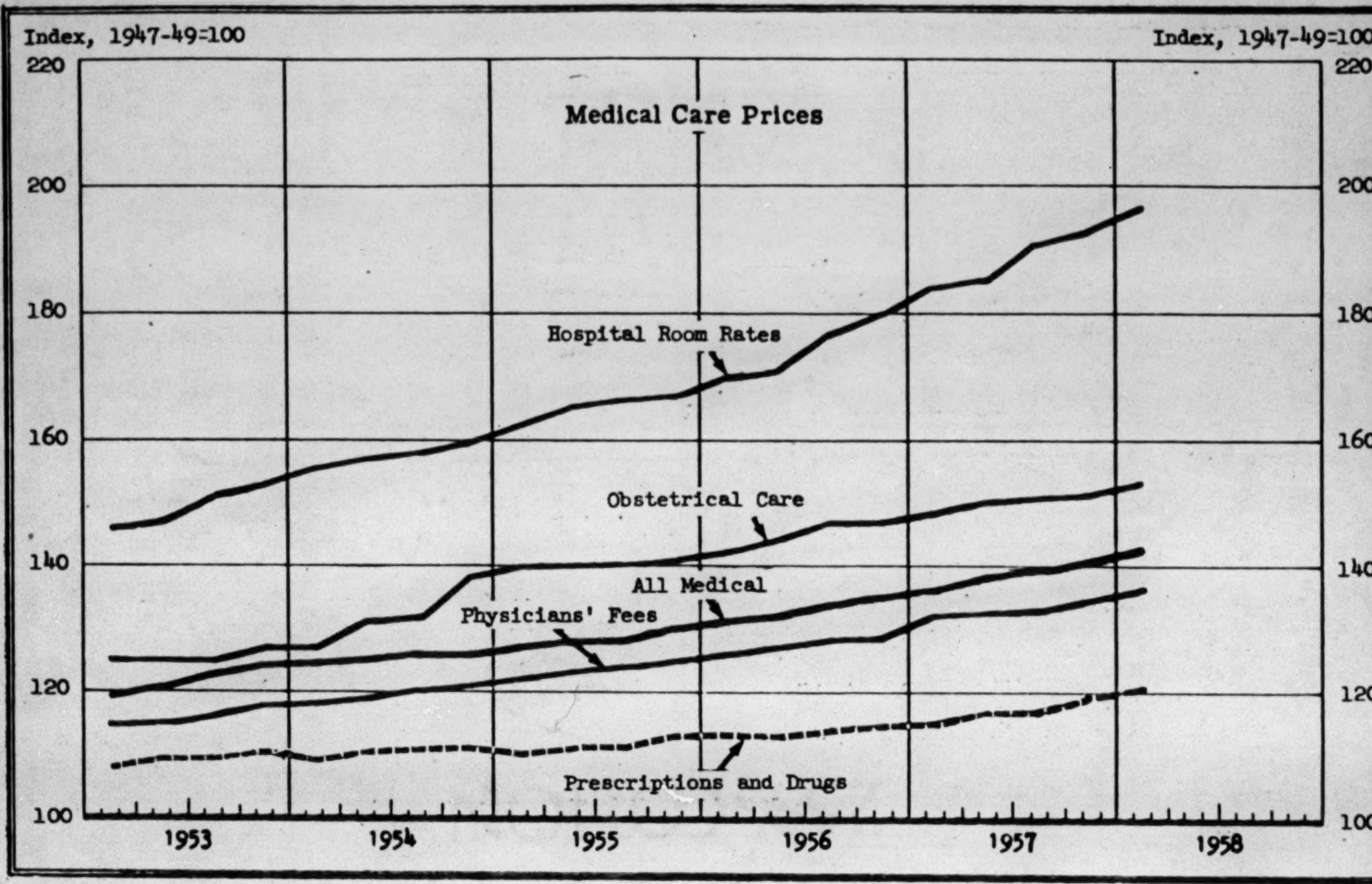
(1947-49 = 100)

Period	All items	Medical care	Food	Apparel	Housing		Transportation	Personal care
					All housing	Rent		
1940	59.9	-	47.8	53.2	-	86.9	69.8	-
1949	101.8	104.1	100.0	99.4	103.3	105.0	108.5	101.1
1950	102.8	106.0	101.2	98.1	106.1	108.8	111.3	101.1
1951	111.0	111.1	112.6	106.9	112.4	113.1	118.4	110.5
1952	113.5	117.2	114.6	105.8	114.6	117.9	126.2	111.8
1953	114.4	121.3	112.8	104.8	117.7	124.1	129.7	112.8
1954	114.8	125.2	112.6	104.3	119.1	128.5	128.0	113.4
1955	114.5	128.0	110.9	103.7	120.0	130.3	126.4	115.3
1956	116.2	132.6	111.7	105.5	121.7	132.7	128.7	120.0
1957	120.2	138.0	115.4	106.9	125.6	135.2	136.0	124.4
1957								
January ...	118.2	135.3	112.8	106.4	123.8	134.2	133.6	122.1
February ..	118.7	135.5	113.6	106.1	124.5	134.2	134.4	122.6
March	118.9	136.4	113.2	106.8	124.9	134.4	135.1	122.9
April	119.3	136.9	113.8	106.5	125.2	134.5	135.5	123.3
May	119.6	137.3	114.6	106.5	125.3	134.7	135.3	123.4
June	120.2	137.9	116.2	106.6	125.5	135.0	135.3	124.2
July	120.8	138.4	117.4	106.5	125.5	135.2	135.8	124.7
August	121.0	138.6	117.9	106.6	125.7	135.4	135.9	124.9
September .	121.1	139.0	117.0	107.3	126.3	135.7	135.9	125.1
October ...	121.1	139.7	116.4	107.7	126.6	136.0	135.8	126.2
November ..	121.6	140.3	116.0	107.9	126.8	136.3	140.0	126.7
December ..	121.6	140.8	116.1	107.6	127.0	136.7	138.9	127.0
1958								
January ...	122.3	141.7	118.2	106.9	127.1	136.8	138.7	127.8
February ..	122.5	141.9	118.7	106.8	127.3	137.0	138.5	128.0
March	123.3	142.3	120.8	106.8	127.5	137.1	138.7	128.3
April	123.5	142.7	121.6	106.7	127.7	137.3	138.3	128.5
May	123.6	143.7	121.6	106.7	127.8	137.5	138.7	128.5
June								

Source: Labor Department

MEDICAL CARE PRICES

Medical care prices increased during the first quarter to 142.3 (1947-49 = 100). While all components of the index rose during the quarter, the largest increases were registered in hospital rates, group hospitalization premiums, and dentists fees. Since 1940, the medical care index has nearly doubled, while hospital rates have shown nearly a fourfold increase.



(1947-49 = 100)

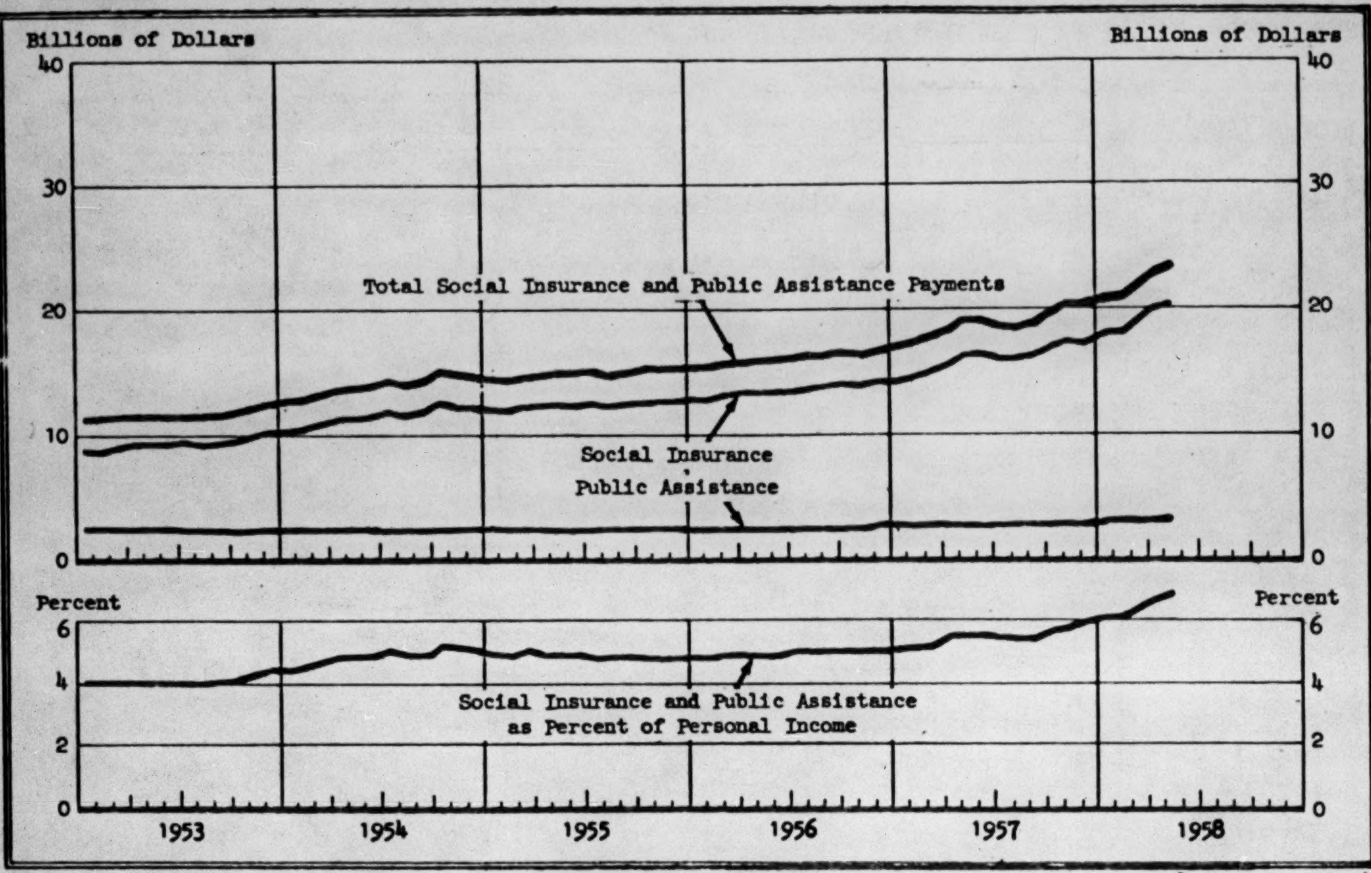
Period	All medical care	Physicians' fees		Surgeons' fees	Dentists' fees	Optometric examination and eye-glasses	Hospital room rates	Group hospital-ization 1/ (r)	Prescrip-tions and drugs
		All	Obstet-rical						
1940 ..	72.7	74.6	67.1	74.0	70.1	82.6	50.4	-	83.2
1949 ..	104.1	102.5	103.1	102.9	104.4	103.5	110.4	-	102.7
1950 ..	106.0	104.1	104.2	104.5	106.9	104.5	114.6	-	103.9
1951 ..	111.1	108.0	110.9	107.3	110.9	109.2	126.9	88.5	106.9
1952 ..	117.2	112.8	122.7	111.5	113.3	110.5	139.5	97.3	107.9
1953 ..	121.3	115.8	125.4	113.9	117.0	109.4	148.2	103.3	108.9
1954 ..	125.2	119.2	131.2	115.2	120.9	108.0	156.8	109.3	110.1
1955 ..	128.0	123.3	139.8	116.4	122.0	109.5	164.4	114.6	111.2
1956 ..	132.6	127.0	144.5	118.2	124.4	111.2	173.3	120.9	113.7
1957 ..	138.0	132.5	149.8	120.9	127.4	115.5	187.3	130.6	116.7
1957									
1st Q.	136.4	132.3	148.4	119.9	126.6	115.4	183.6	128.0	115.2
2nd Q.	137.9	132.5	150.2	120.9	127.4	116.2	185.4	129.3	117.0
3rd Q.	139.0	132.8	150.4	121.6	128.0	115.5	191.0	133.2	117.2
4th Q.	140.8	134.8	151.6	121.9	128.6	116.1	193.5	134.9	119.0
1958									
1st Q.	142.3	136.0	152.8	122.3	130.2	116.5	196.4	137.0	120.2
2nd Q.									
3rd Q.									
4th Q.									

1/ December 1952 = 100

Source: Labor Department

PERSONAL INCOME AND SOCIAL SECURITY

Personal income in May was at a seasonally adjusted annual rate of $344.3 billion. Social insurance, related payments, and public assistance totalled $23.6 billion in May, accounting for 6.9 percent of total personal income.



(In billions of dollars)

Period	Total personal income	Wage and salary disbursements	Social insurance, related payments, and public assistance			Other income [4]	Less: personal contributions for social insurance
			Social insurance and related payments [2]	Public assistance payments [3]	Per cent of total personal income		
1940	78.7	49.8 [1]	1.7	1.0	3.4	26.9	0.7
1949	206.8	134.4	6.9	2.2	4.4	65.5	2.2
1950	227.0	146.5	6.6	2.3	4.0	74.6	2.9
1951	255.3	170.8	7.1	2.3	3.7	78.5	3.4
1952	271.8	184.9	8.1	2.3	3.8	80.3	3.8
1953	286.0	197.4	9.3	2.4	4.1	80.8	3.9
1954	287.4	195.5	11.5	2.4	4.8	82.6	4.6
1955	305.9	210.3	12.4	2.5	4.9	85.9	5.2
1956	326.9	227.2	13.5	2.6	4.9	89.3	5.7
1957	343.4	238.8	15.9	2.8	5.4	92.6	6.8
	Seasonally adjusted annual rates [5]						
1957							
April ...	341.1	237.1	15.6	2.7	5.4	92.3	6.7
May	343.2	238.3	16.3	2.7	5.5	92.6	6.8
June	345.1	240.1	16.3	2.7	5.5	92.8	6.8
July	346.3	240.9	16.0	2.7	5.4	93.6	6.9
August ..	347.3	241.7	16.0	2.8	5.4	93.7	6.9
September	347.2	241.5	16.1	2.8	5.4	93.6	6.8
October .	346.8	240.1	16.9	2.8	5.7	93.8	6.8
November	346.2	239.5	17.4	2.8	5.8	93.3	6.8
December	343.6	238.8	17.7	2.9	6.0	90.9	6.8
1958							
January .	343.6	237.0	18.0	3.0	6.1	92.6	6.8
February	341.7	234.4	18.0	3.0	6.1	93.1	6.8
March ...	342.2	233.8	19.0	3.0	6.4	93.2	6.7
April ...	343.8	233.2	20.0	3.0	6.7	93.6	6.7
May	344.3	233.9	20.5	3.1	6.9	93.5	6.8
June							

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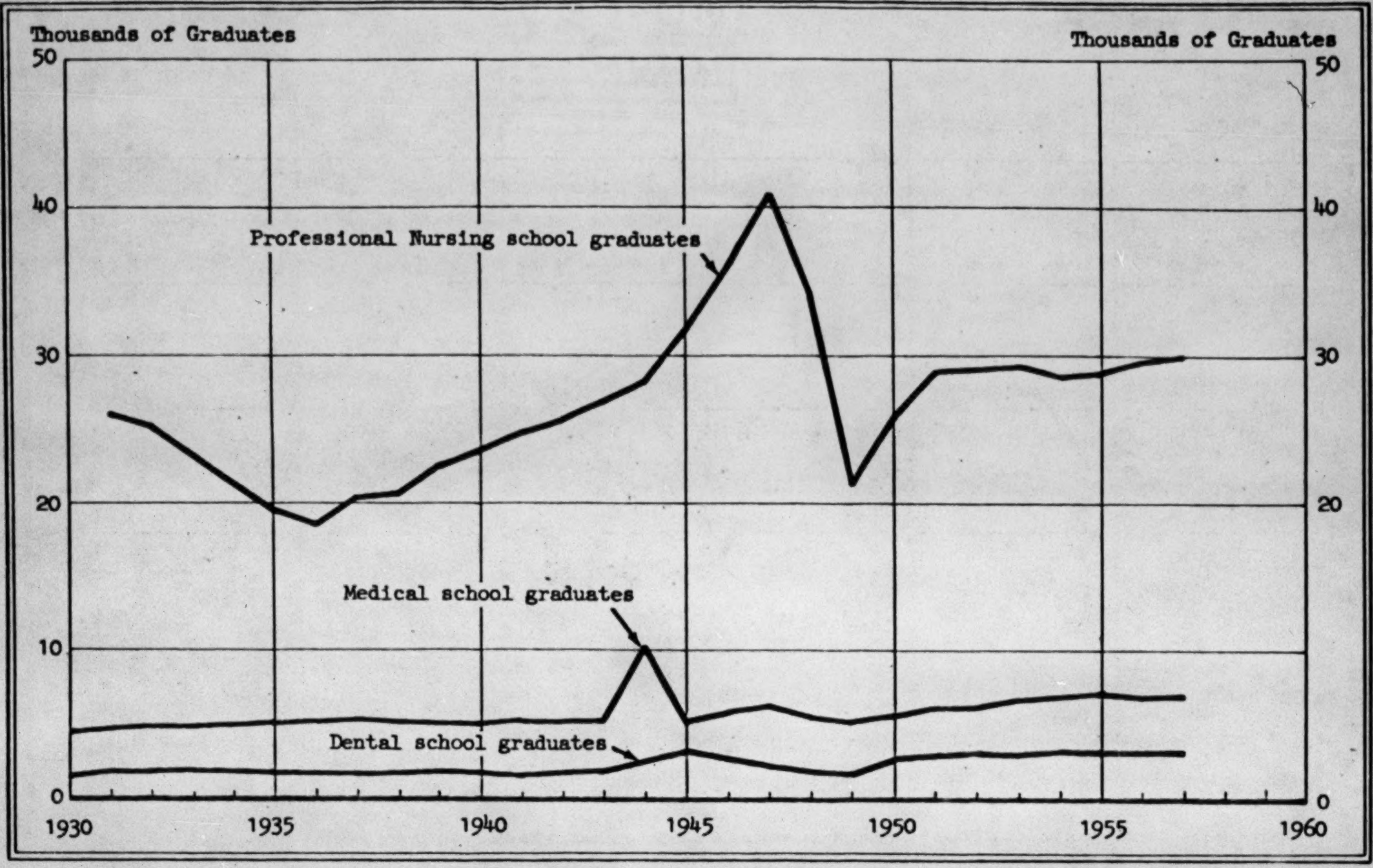
[1] Includes earnings of $1.6 billion under work relief programs. [2] Includes benefit payments from Old-Age, Survivors and Disability Insurance, State unemployment insurance, railroad retirement insurance, railroad unemployment insurance; Federal civilian pensions; military pension, disability, and retirement payments; veterans unemployment benefits and payments to paraplegics; State and local government pensions and cash sickness compensation; and workmens' compensation for injuries. [3] Represents money payments to recipients of Old Age Assistance, Aid to Dependent Children, Aid to the Blind, Aid to the Permanently and Totally Disabled, and general assistance. Vendor payments for medical care are excluded. [4] Includes proprietors and rental income, dividends, personal interest income, other labor income (except compensation for injuries), and transfer payments (except for the social insurance and related benefits and the public assistance payments enumerated in footnotes [1] and [2] above). [5] The monthly figures are seasonally adjusted, except for public assistance and part of the social insurance and related payments category.

Source: Department of Commerce and
Social Security Administration

MEDICAL, DENTAL, AND PROFESSIONAL NURSING SCHOOLS, STUDENTS, AND GRADUATES

There has been no significant change in recent years in the number of students graduating from Medical, Dental, or Professional Nursing Schools.



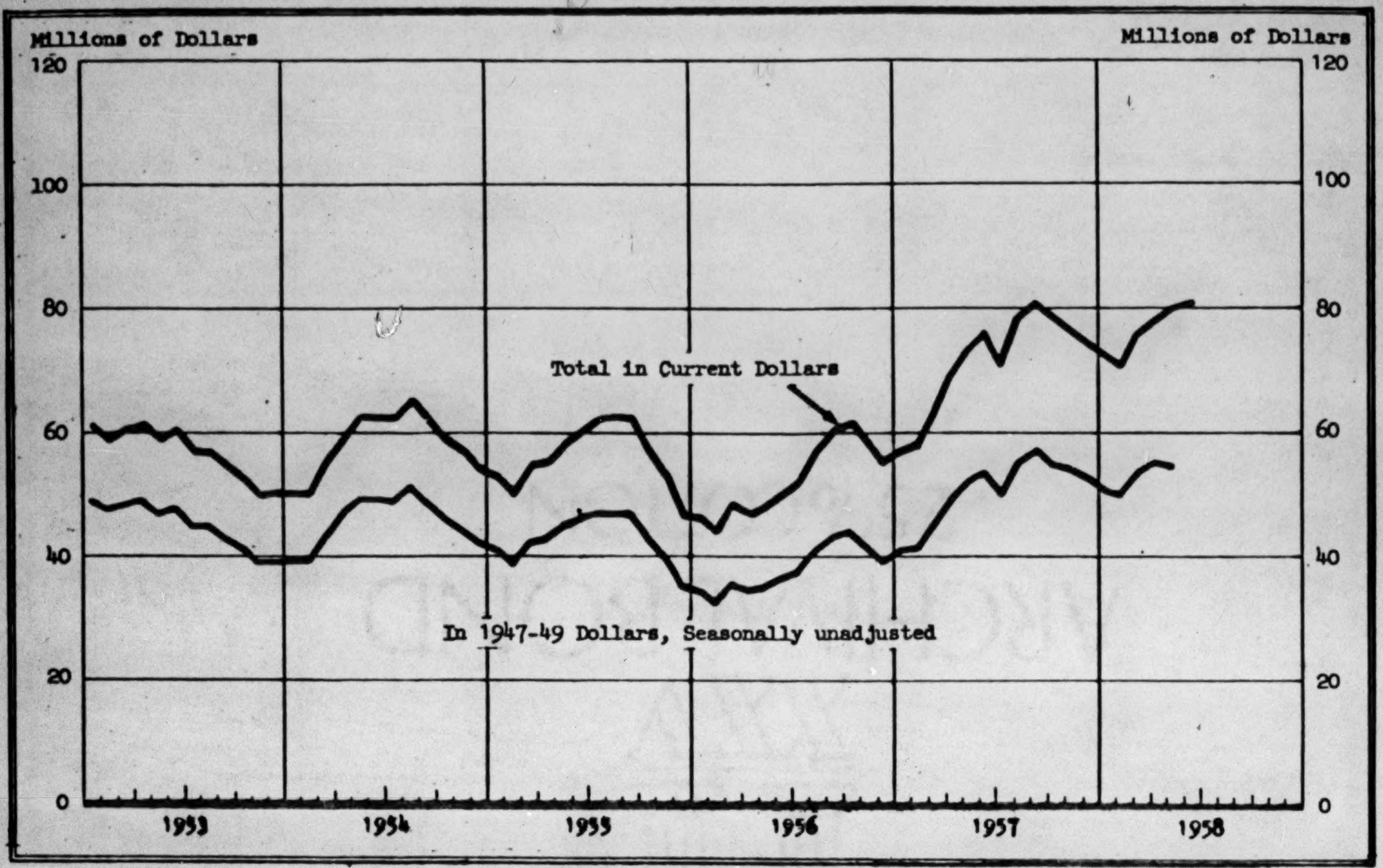
Period	Medical Schools			Dental schools			Professional nursing schools[3]		
	Number[1]	Students	Graduates	Number	Students	Graduates	Number	Students	Graduates
1900	160	25,171	5,214	57	-	2,091	432	11,164	3,456
1910	131	21,526	4,440	54	-	1,646	1,129	32,636	8,140
1920	85	13,798	3,047	46	-	906	1,755	54,953	14,980
1925	80	18,200	3,974	43	11,863	2,590	-	-	-
1927	80	19,662	4,035	40	10,333	2,642	1,797	77,768	18,623
1928	80	20,545	4,262	40	-	2,563	-	-	-
1929	76	20,878	4,446	40	8,200	2,442	1,885	78,771	23,810
1930	76	21,597	4,565	38	7,813	1,561	-	-	-
1931	76	21,982	4,735	38	8,129	1,842	1,844	100,419	25,971
1932	76	22,135	4,936	38	8,031	1,840	1,781	84,290	25,312
1934	77	22,799	5,035	39	7,160	1,864	-	-	-
1936	77	22,564	5,183	39	7,306	1,736	1,417	69,589	18,600
1938	77	21,587	5,194	39	7,184	1,704	1,349	74,305	20,655
1940	77	21,271	5,097	39	7,407	1,757	1,311	85,156	23,600
1942	77	22,031	5,163	39	8,355	1,784	1,299	91,457	25,613
1944[2]................	77	24,098	10,303	39	9,014	2,470	1,307	112,249	28,276
1947[3]................	77	23,900	6,389	40	8,287	2,225	1,253	106,900	40,744
1949	78	23,670	5,094	41	10,132	1,574	1,215	87,708	21,379
1950[4]................	79	25,103	5,553	41	11,460	2,565	1,203	98,712	25,790
1951[4]................	79	26,186	6,135	42	11,891	2,830	1,182	103,295	28,794
1952[4]................	79	27,076	6,080	42	12,169	2,975	1,167	102,550	29,016
1953[4]................	79	27,688	6,668	42	12,370	2,945	1,148	102,019	29,308
1954[4]................	80	28,227	6,861	43	12,516	3,084	1,141	103,019	28,539
1955[4]................	81	28,583	6,977	43	12,601	3,081	1,139	107,572	28,729
1956[4]................	82	28,639	6,845	43	12,730	3,038	1,125	109,904	29,519
1957[4]................	82	28,852	6,796	45	13,004	3,050	1,115	114,674	29,951
1958									
1959									

[1] Approved medical and basic science schools. [2] Includes 2 graduating classes at many medical schools as a result of war-time accelerated program.
[3] War-time and post war increase in nursing school graduates was related to the Public Health Service Cadet Nurse Corp. Program. [4] Beginning in 1950, includes number of professional nursing schools in Hawaii and Puerto Rico. Beginning in 1954, includes number of medical schools in Puerto.

Source: American Medical Association, American Dental Association, and American Nursing Association

HOSPITAL CONSTRUCTION: VALUE PUT IN PLACE

Public and private hospital construction put in place in June totalled $81 million. Total construction for the first six months of 1958 was 16 percent above the first six months of 1957.



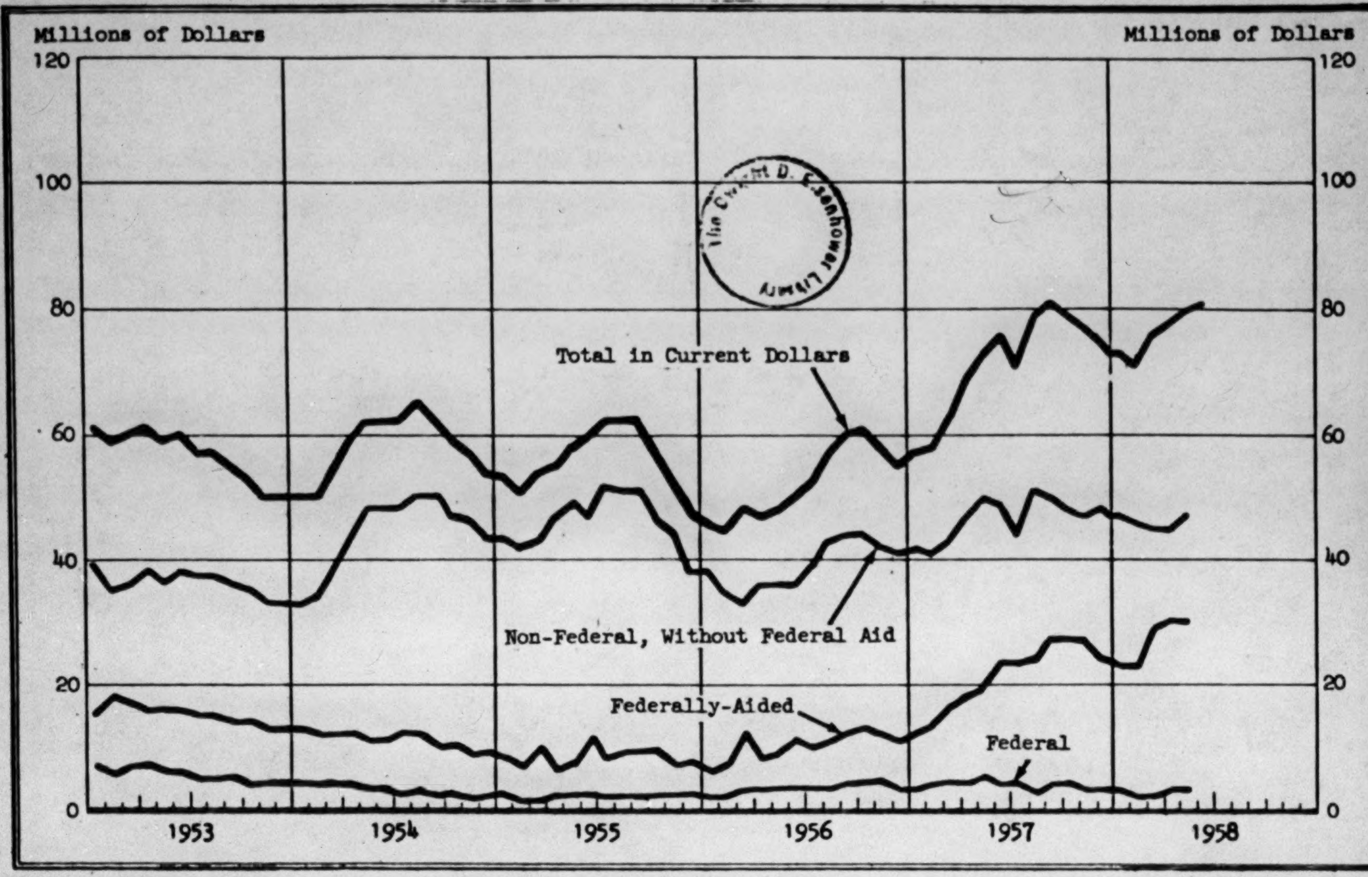
Period	Hospital construction in 1/ millions of current dollars			Construction cost index (1947-49=100) 3/ (r)	Total hospital construction in millions of 1947-1949 dollars	
	Total	Public 2/	Private		Seasonally unadjusted (r)	Seasonally adjusted (r)
1940	87	54	33	51.8	167.9	-
1949	679	477	202	103.0	659.2	-
1950	840	496	344	106.5	788.7	-
1951	947	528	419	115.4	820.6	-
1952	867	473	394	119.1	727.9	-
1953	682	365	317	121.8	559.9	-
1954	697	360	337	121.6	573.1	-
1955	673	322	351	124.6	540.1	-
1956	626	298	328	130.7	478.9	-
1957 (r)	858	333		137.0	612.0	-
1957 (r)						
January	57	24	33	139.4	40.9	44.5
February	58	23	35	139.4	41.6	46.3
March	63	27	36	139.4	45.2	46.6
April	69	31	38	139.7	49.4	49.2
May	73	32	41	140.7	51.9	50.0
June	76	32	44	141.5	53.7	50.9
July	71	28	43	142.3	49.9	46.8
August	79	30	49	142.6	55.4	51.2
September	81	30	51	142.6	56.8	53.9
October	79	27	52	142.3	55.5	54.6
November	77	25	52	142.3	54.1	55.7
December	75	24	51	142.3	52.7	56.9
1958						
January	73	22	51	142.3	51.3	55.8
February	71	21	50	142.3	49.9	55.6
March	76	26	50	141.7(r)	53.6	55.3
April	78	28	50	142.0(r)	54.9	54.7
May	80	29	51	142.3	56.2	54.2
June	81	30	51			

1/ Value of new construction put in place. Construction of health-related institutions, such as nursing homes, are included. 2/ Includes construction of Federally-owned hospitals. 3/ BOECKH composite construction cost index for apartments, hotels, and office buildings.

Source: Department of Commerce and Public Health Service

HOSPITAL CONSTRUCTION: FINANCING

Federally-aided hospital construction put in place in May was $30 million. During the first five months of 1958 Federally-aided construction was 73 percent higher than in the first five months of 1957, while non-aided construction was 3 percent higher.



(In millions of current dollars)

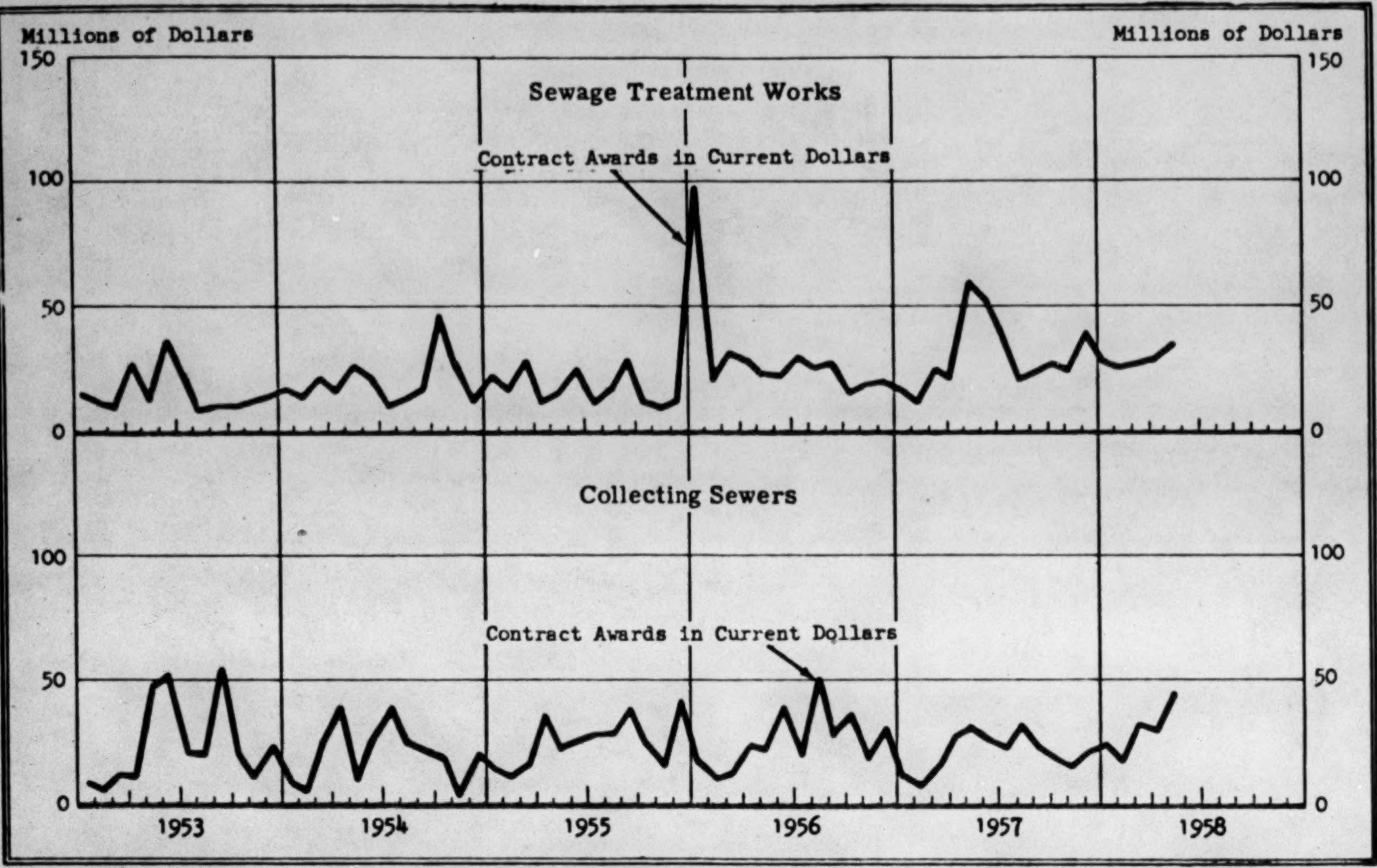
Period	Total hospital construction	Hospital construction by source of funds: Federal	Non-Federal: Without Federal aid	Non-Federal: Federally aided	Federal share of Federally aided [1] (per cent)
1940	87	5	82	-	-
1949	679	169	386	124	31.8
1950	840	146	466	228	39.7
1951	947	132	569	246	35.4
1952	867	113	532	222	33.0
1953	682	66	434	182	27.1
1954	697	35	529	133	28.2
1955	673	22	553	98	25.8
1956	626	37	467	122	25.0
1957	858	45	560	253	29.7
1957					
January	57	3	42	12	29.0
February	58	4	41	13	
March	63	4	43	16	
April	69	4	47	18	31.1
May	73	4	50	19	
June	76	4	49	23	
July	71	4	44	23	25.3
August	79	4	51	24	
September	81	4	50	27	
October	79	4	48	27	29.4
November	77	3	47	27	
December	75	3	48	24	
1958					
January	73	3	47	23	28.1
February	71	2	46	23	
March	76	2	45	29	
April	78	3	45(r)	30(r)	
May	80	3	47	30	
June	81				

[1] For projects finally approved and construction begun under the Hospital and Medical Facilities Construction Program.

Source: Departments of Commerce and Labor and Public Health Service

SEWAGE FACILITIES CONSTRUCTION: CONTRACT AWARDS

Contract awards for sewage treatment works totalled $141.6 million in the first five months of 1958, or 9 percent higher than the first five months of 1957. Contract awards for collecting sewers during the first five months were $143.8 million, or 57 percent higher than in the same period last year.



(Millions of dollars)

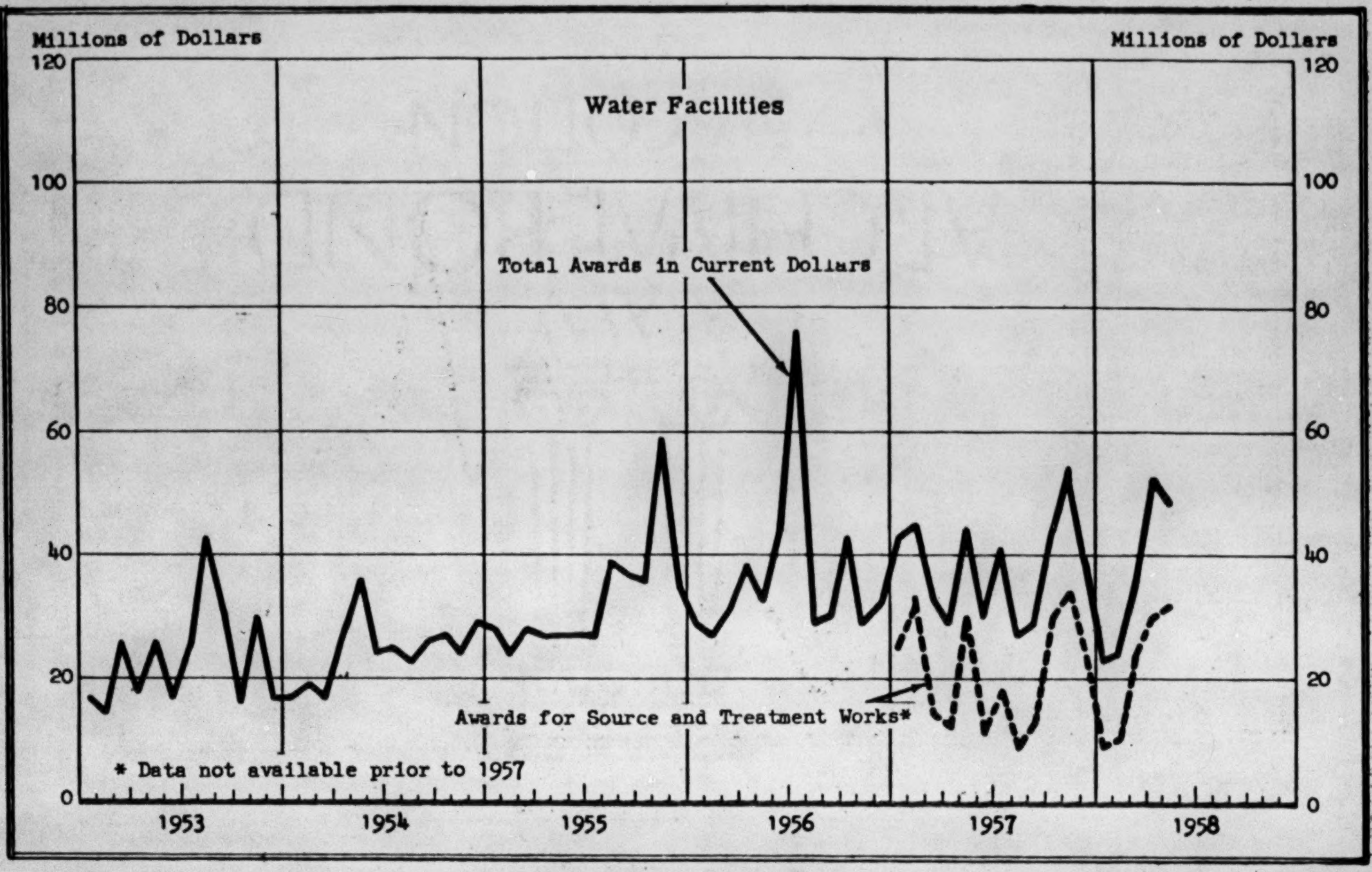
Period	Contract awards in current dollars			Index of construction costs 1/	Contract awards in 1955 dollars		
	Total	Treatment works	Collecting sewers		Total	Treatment works	Collecting sewers
1940	184.0 2/	-	-	36.7	501.6	-	-
1949	312.4	180.0	132.4	72.3	432.0	248.9	183.1
1950	357.5	203.0	154.5	77.2	463.0	262.9	200.1
1951	344.6	177.0	167.6	82.3	419.0	215.2	203.8
1952	362.1	137.2	224.9	86.3	419.6	159.0	260.6
1953	472.8	187.0	285.8	91.0	519.8	205.6	314.2
1954	472.7	229.0	243.7	95.2	496.6	240.6	256.0
1955	501.9	201.4	300.5	100.0	501.9	201.4	300.5
1956	658.9	354.3	304.6	105.0	627.8	337.6	290.2
1957	597.8	351.2	246.6	109.7	544.9	320.1	224.8
1957							
January	28.0	15.7	12.3	107.3	26.1	14.6	11.5
February	18.7	10.9	7.8	107.9	17.3	10.1	7.2
March	38.8	23.7	15.1	107.4	36.2	22.1	14.1
April	47.8	21.0	26.8	107.5	44.4	19.5	24.9
May	88.2	58.4	29.8	108.5	81.3	53.8	27.5
June	78.1	53.1	25.0	109.4	71.5	48.6	22.9
July	60.0	37.1	22.9	109.8	54.7	33.8	20.9
August	51.1	20.2	30.9	112.0	45.6	18.0	27.6
September	46.5	23.5	23.0	111.8	41.6	21.0	20.6
October	44.4	25.9	18.5	111.7	39.8	23.2	16.6
November	38.5	23.9	14.6	111.8	34.5	21.4	13.1
December	57.7	37.8	19.9	111.9	51.6	33.8	17.8
1958(p)							
January	50.7	27.6	23.1	112.7	44.5	24.5	20.5
February	41.2	25.3	15.9	112.7	36.5	22.4	14.1
March	57.0	25.9	31.1	112.8	50.5	23.0	27.6
April	57.9	28.5	29.4	113.1	51.4	25.2	26.2
May	78.6	34.3	44.3	113.9	69.0	30.1	38.9
June							

1/ This index is the Engineering News Record Index of Construction Costs shifted from the base of 1913 = 100 to 1955 = 100. 2/ Figure for 1940 is construction put in place.

Source: Public Health Service

WATER FACILITIES CONSTRUCTION: CONTRACT AWARDS

Contract awards for water source and treatment facilities in the first five months totalled $104.7 million as against $113.1 million in the same period of 1957. Awards for distribution facilities were $78.4 million in the first five months as against $80.5 million in the first five months of last year.



(In millions of dollars)

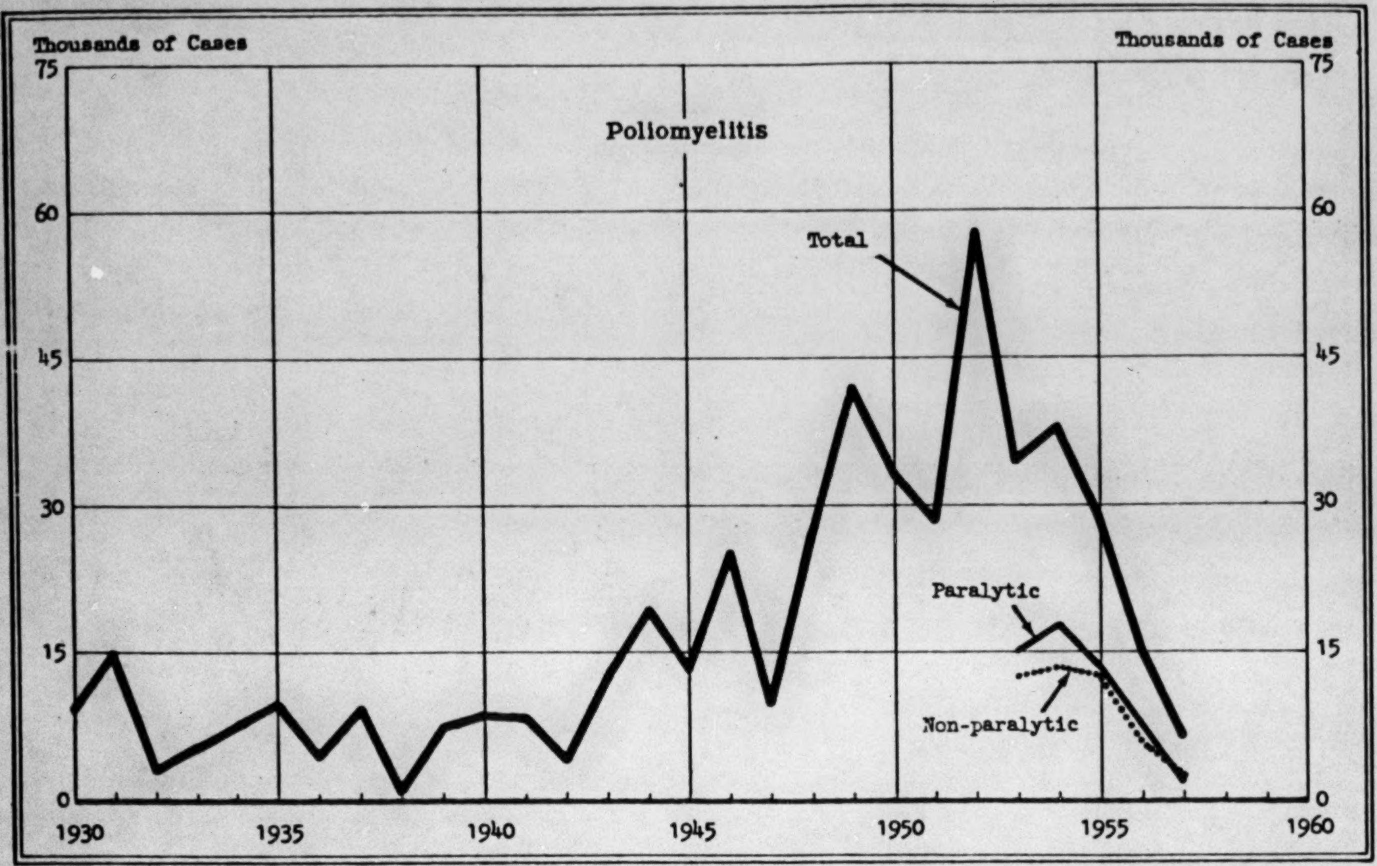
Period	Contract awards in current dollars			Contract awards in 1955 dollars[1]		
	Total	Source and treatment facilities	Distribution facilities	Total	Source and treatment facilities	Distribution facilities
1940	154.0[2]	-	-	419.8	-	-
1949	245.9	-	-	340.1	-	-
1950	227.9	-	-	295.1	-	-
1951	229.0	-	-	278.5	-	-
1952	227.0	-	-	263.1	-	-
1953	282.7	-	-	311.0	-	-
1954	292.7	-	-	307.3	-	-
1955	393.6	-	-	393.6	-	-
1956	441.1	-	-	420.3	-	-
1957	456.6	252.4	204.2	416.1	230.0	186.1
1957						
January	43.1	24.8	18.3	40.2	23.1	17.1
February	44.5	32.6	11.9	41.3	30.2	11.0
March	32.8	14.1	18.7	30.5	13.1	17.4
April	28.9	11.8	17.1	26.9	11.1	15.9
May	44.3	29.8	14.5	40.8	27.5	13.4
June	29.7	10.7	19.0	27.2	9.8	17.4
July	41.2	17.7	23.5	37.5	16.1	21.4
August	26.6	8.9	17.7	23.8	7.9	15.8
September	28.7	13.0	15.7	25.7	11.6	14.0
October	43.5	29.6	13.9	38.9	26.5	12.4
November	54.3	34.0	20.3	48.6	30.4	18.2
December	39.0	25.4	13.6	34.9	22.7	12.2
1958(p)						
January	22.9	9.3	13.6	20.3	8.2	12.1
February	23.9	10.4	13.5	21.2	9.2	12.0
March	36.1	23.4	12.7	32.0	20.7	11.3
April	52.1	29.8	22.3	46.1	26.4	19.7
May	48.1	31.8	16.3	42.2	27.9	14.3
June						

1/ The Engineering News Record Index of Construction Costs was used in converting contract awards in actual dollars to 1955 dollars. See preceding table for index numbers. 2/ Figures for 1940 are construction put in place.

Source: Public Health Service

POLIOMYELITIS: ANNUAL INCIDENCE

The number of reported cases of poliomyelitis was reduced in 1957 to 5,894 from the 1952 peak of 57,879. 1957 was the first year on record in which fewer paralytic cases were reported than non-paralytic.



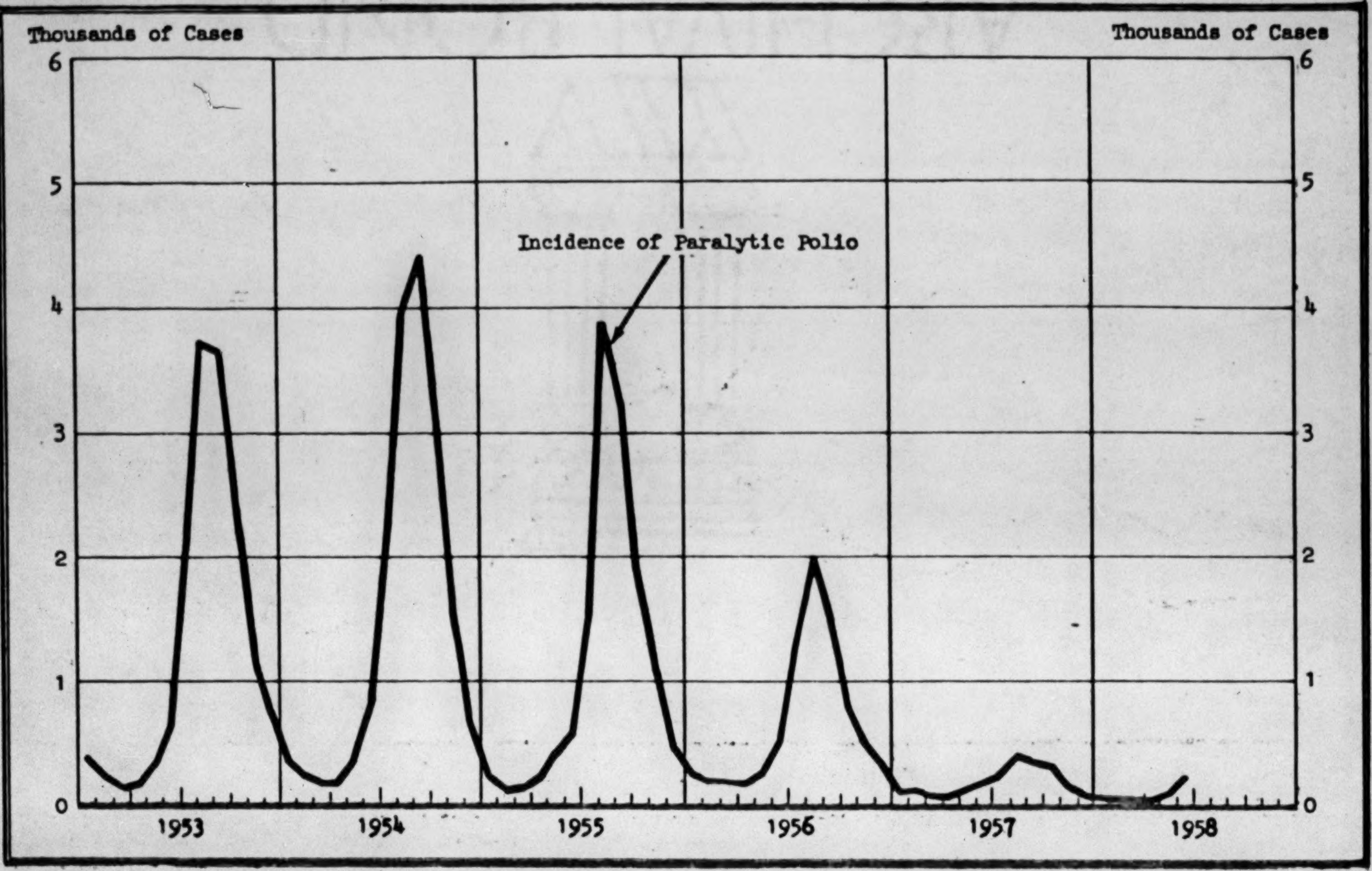
Period 1/	Number of reported poliomyelitis cases 2/			
	Total	Paralytic	Non-paralytic	Unspecified
1920	2,338	-	-	-
1930	9,220	-	-	-
1931	15,872	-	-	-
1932	3,820	-	-	-
1933	5,043	-	-	-
1934	7,510	-	-	-
1935	10,839	-	-	-
1936	4,523	-	-	-
1937	9,514	-	-	-
1938	1,705	-	-	-
1939	7,343	-	-	-
1940	9,804	-	-	-
1941	9,086	-	-	-
1942	4,167	-	-	-
1943	12,450	-	-	-
1944	19,029	-	-	-
1945	13,624	-	-	-
1946	25,698	-	-	-
1947	10,827	-	-	-
1948	27,726	-	-	-
1949	42,033	-	-	-
1950	33,300	-	-	-
1951	28,386	10,037	5,470	12,879
1952	57,879	21,269	12,802	23,808
1953	35,592	15,648	12,144	7,800
1954	38,476	18,308	13,221	6,947
1955	28,985	13,850	12,453	2,682
1956	15,140	7,911	6,555	674
1957(p)	5,894	2,158	2,802	934
1958				
1959				

1/ Calendar year. 2/ Reporting of paralytic poliomyelitis has become increasingly accurate in the past few years.

Source: Public Health Service

POLIOMYELITIS: MONTHLY INCIDENCE

Polio cases reported in the first 25 weeks of 1958 totalled 585, of which 297 were paralytic. Comparable 1957 figures were 1,398 total and 624 paralytic.

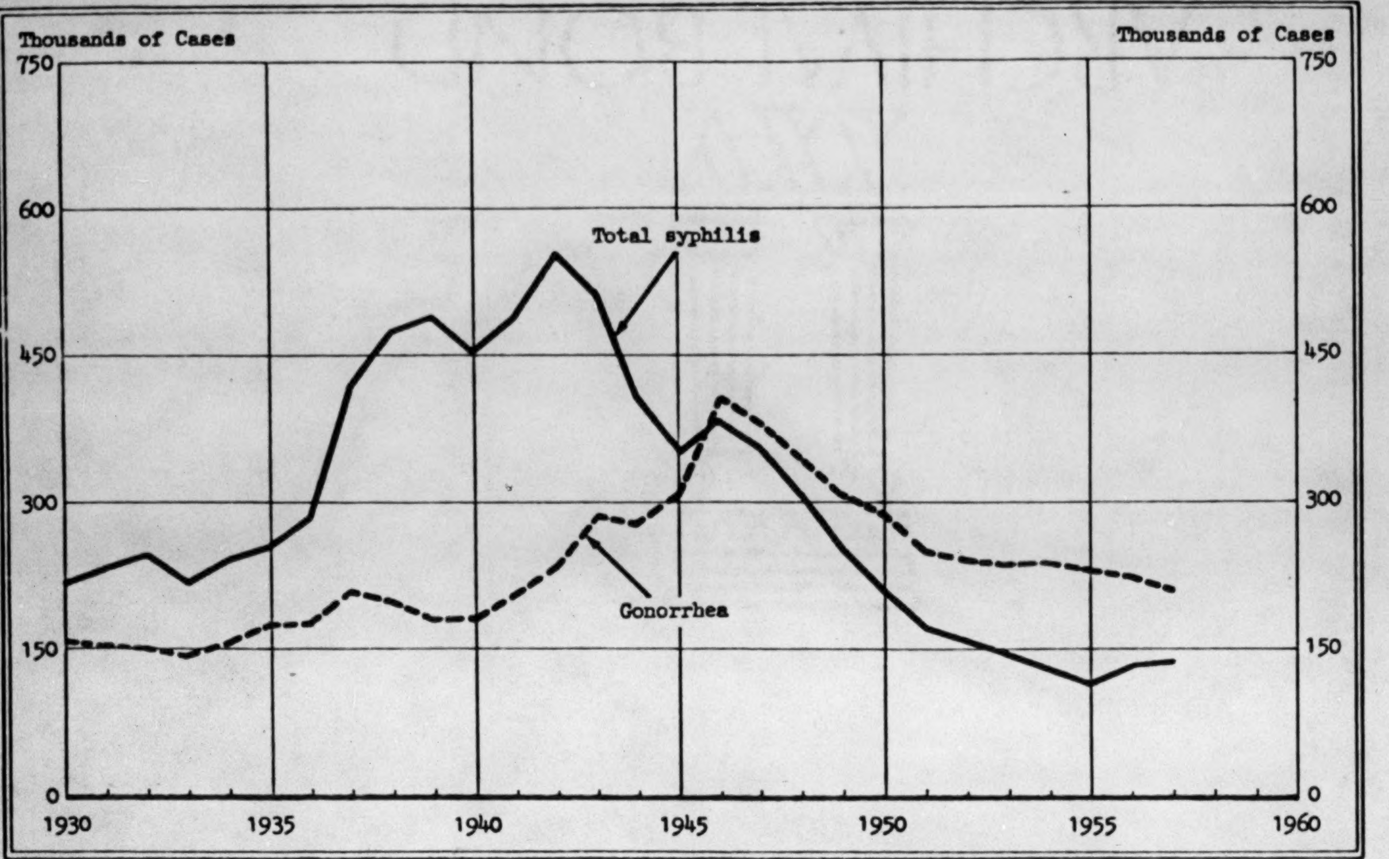


Period	Number of reported poliomyelitis cases			
	Total	Paralytic	Non-paralytic	Unspecified
1951	28,386	10,037	5,470	12,879
1952	57,879	21,269	12,802	23,808
1953	35,592	15,648	12,144	7,800
1954	38,476	18,308	13,221	6,947
1955	28,985	13,850	12,453	2,682
1956	15,140	7,911	6,555	674
1957	5,894	2,158	2,802	934
1957				
January	178	100	43	35
February	180	101	54	25
March	168	73	66	29
April	146	64	64	18
May	228	106	96	26
June	498	180	258	60
July	846	208	514	124
August	1,635	395	939	301
September	965	350	458	157
October	591	321	188	82
November	310	183	74	53
December	149	77	48	24
1958				
January	90	49	30	11
February	62	35	19	8
March	67	37	18	12
April	61	30	15	16
May	95	42	32	21
June	210	104	78	28

Source: Public Health Service

VENEREAL DISEASE

The incidence of gonorrhea continued its 11 year decline. The number of civilian cases of syphilis reported rose slightly in 1957 to 133,949.



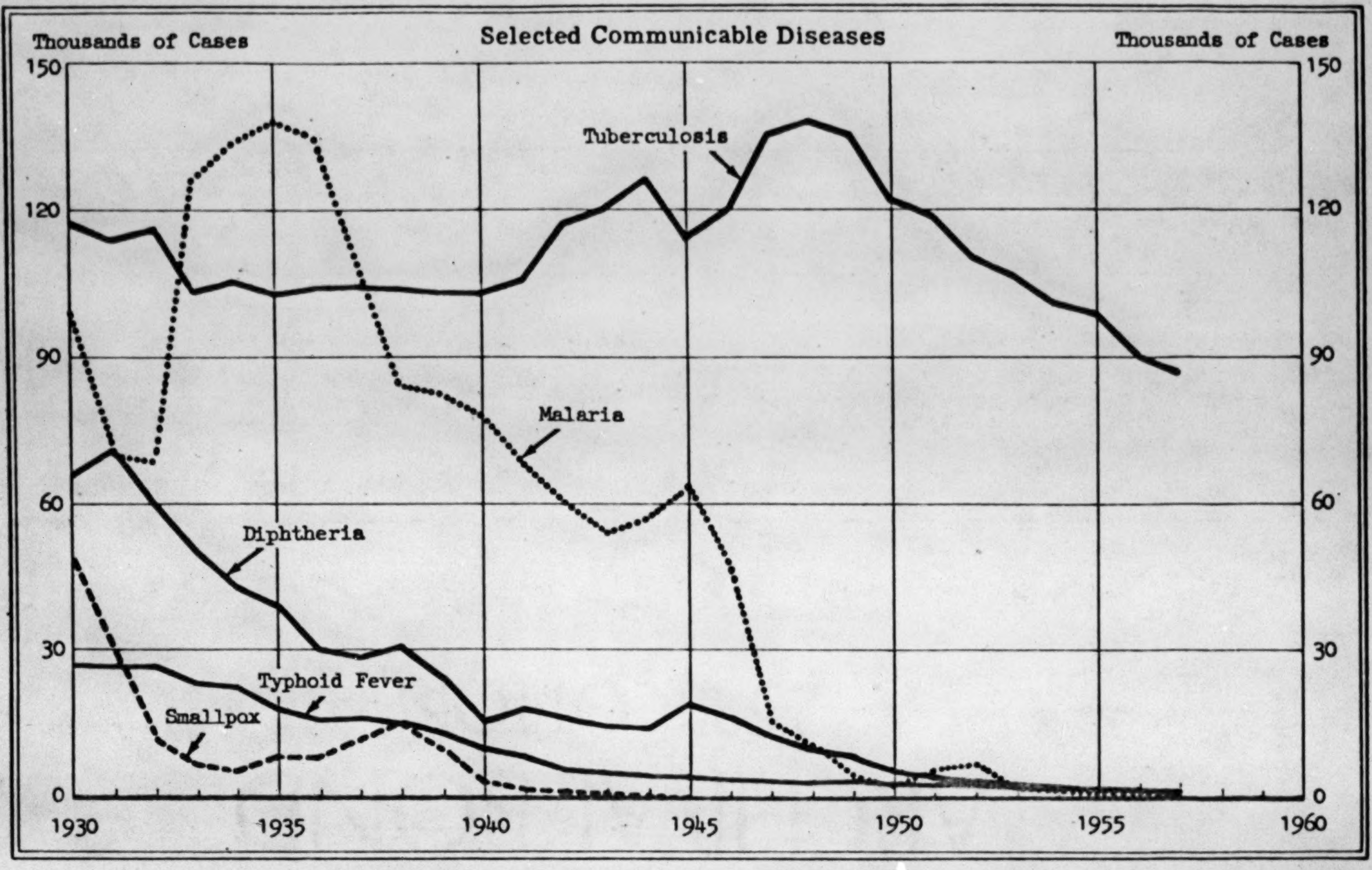
Period	Venereal Disease 1/			
	Syphilis			
	Total 2/	Primary and secondary	Early latent	Gonorrhea
1920	157,566	-	-	175,557
1930	221,735	-	-	158,054
1931	239,482	-	-	156,919
1932	251,779	-	-	154,811
1933	219,405	-	-	145,755
1934	243,030	-	-	158,026
1935	259,314	-	-	163,691
1936	287,423	-	-	166,635
1937	425,662	-	-	200,657
1938	476,702	-	-	181,845
1939	485,065	-	-	178,343
1940	458,400	-	-	179,989
1941	485,543	73,055	115,689	198,691
1942	550,536	79,202	134,626	243,555
1943	518,094	80,401	139,096	290,455
1944	402,365	76,356	108,313	288,111
1945	351,766	80,309	104,909	313,363
1946	385,524	110,695	110,634	415,855
1947	355,592	93,545	104,124	380,666
1948	314,313	68,174	90,598	345,501
1949	256,463	41,942	75,045	317,950
1950	217,558	23,939	59,256	286,746
1951	174,924	14,485	43,316	254,470
1952	167,762	10,449	36,454	244,957
1953	148,573	8,637	28,295	238,340
1954	130,697	7,147	23,861	242,050
1955	122,392	6,454	20,054	236,197
1956	131,525	6,396	20,129	224,350
1957(p)	133,949	6,614	20,448	214,496
1958				
1959				

1/ Table excludes venereal diseases other than syphilis and gonorrhea. 2/ Includes all stages of syphilis.

Source: Public Health Service

SELECTED COMMUNICABLE DISEASES

The long term downward trends in the incidence of many communicable diseases continued through 1957. Tuberculosis remains as an important public health problem.



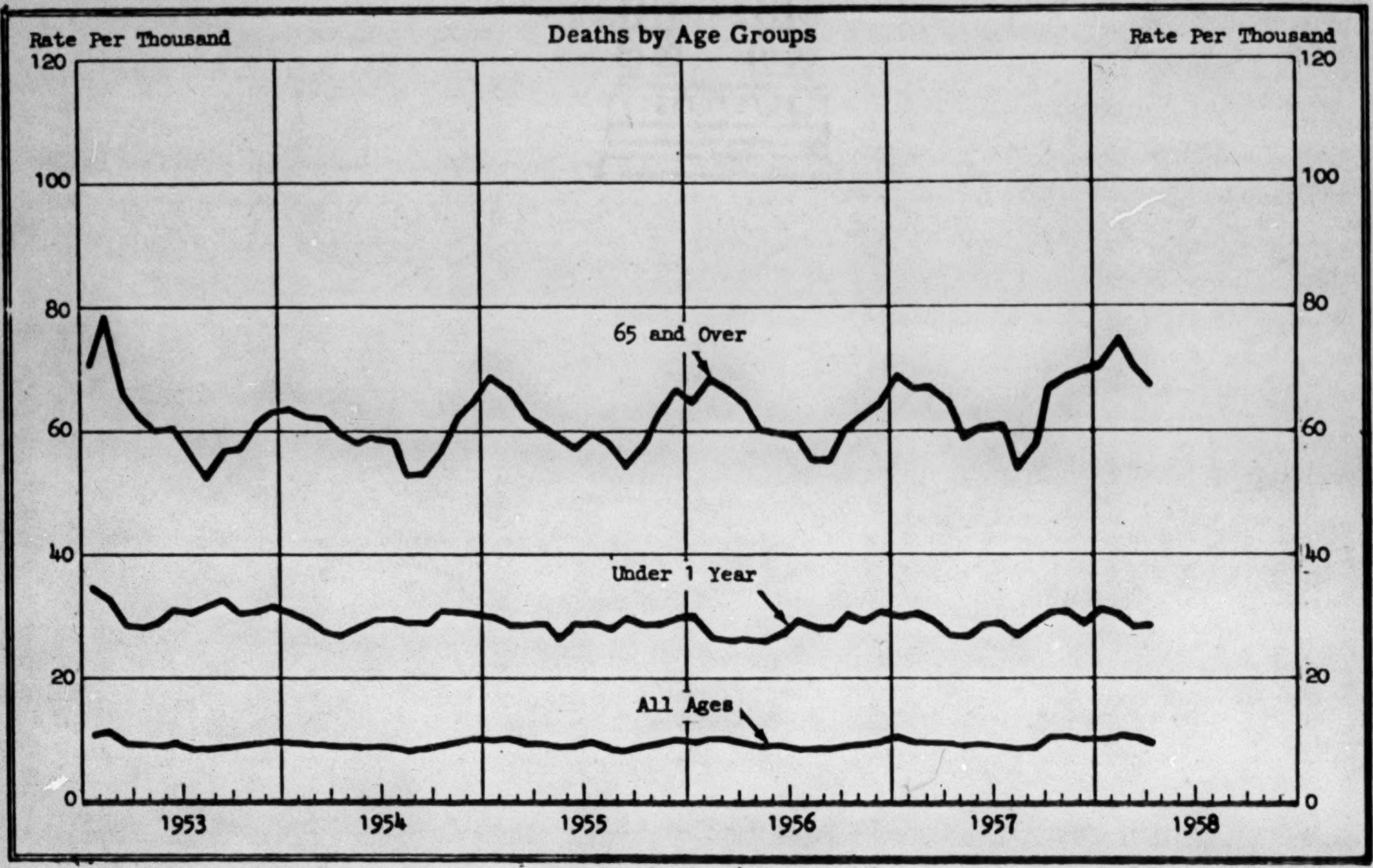
Period 1/	Brucellosis (undulant fever)	Diphtheria	Malaria	Meningococcal infections	Smallpox	Tuberculosis	Typhoid fever 2/
1920	-	147,991	184,165	2,809	102,128	104,563	35,994
1930	1,455	66,576	98,491	8,384	48,907	117,715	27,201
1931	1,575	70,839	70,362	5,517	30,233	114,652	26,548
1932	1,520	59,879	68,613	3,154	11,224	116,261	26,666
1933	1,788	50,462	125,556	2,913	6,491	103,629	23,349
1934	2,017	43,156	133,226	2,470	5,371	105,767	22,217
1935	2,008	39,226	137,513	5,873	7,957	103,079	18,355
1936	2,099	30,018	133,927	7,320	7,834	103,707	15,898
1937	2,676	28,536	108,459	5,484	11,673	104,493	16,033
1938	4,379	30,508	84,205	2,859	14,939	103,970	14,903
1939	3,501	24,053	82,654	1,972	9,877	102,776	13,069
1940	3,310	15,536	78,129	1,653	2,795	102,984	9,809
1941	3,484	17,987	68,074	2,006	1,396	105,567	8,601
1942	3,228	16,260	60,077	3,823	865	117,204	5,595
1943	3,733	14,811	54,554	18,223	765	120,253	4,690
1944	4,436	14,150	57,626	16,312	397	126,294	4,599
1945	5,049	18,675	62,763	8,208	346	114,931	4,211
1946	5,887	16,354	48,610	5,693	337	119,256	3,268
1947	6,321	12,262	15,116	3,420	176	134,946	3,075
1948	4,991	9,493	9,606	3,376	57	137,006	2,840
1949	4,235	7,969	4,151	3,519	49	134,865	2,795
1950	3,510	5,796	2,184	3,788	39	121,742	2,484
1951	3,139	3,983	5,600	4,164	11	118,491	2,128
1952	2,537	2,960	7,023	4,884	21	109,837	2,341
1953	2,032	2,355	1,310	5,077	4	106,925	2,252
1954	1,823	2,041	715	4,436	9	100,540	2,169
1955	1,444	1,984	522	3,455	2	98,860	1,704
1956	1,300	1,568	234	2,735		90,465	1,700
1957(p)	907	1,236	146	2,642		87,582	1,276

1/ Calendar year. 2/ Includes paratyphoid fever in 1920, and 1930-41.

Source: Public Health Service

DEATH RATES: BY AGE GROUPS

The death rate per 1,000, all ages, was at an annual rate of 9.8 in April. The death rate of children under one year was 28.7 in April; for persons aged 65 years and over the death rate was 66.9.



(Deaths per 1,000)

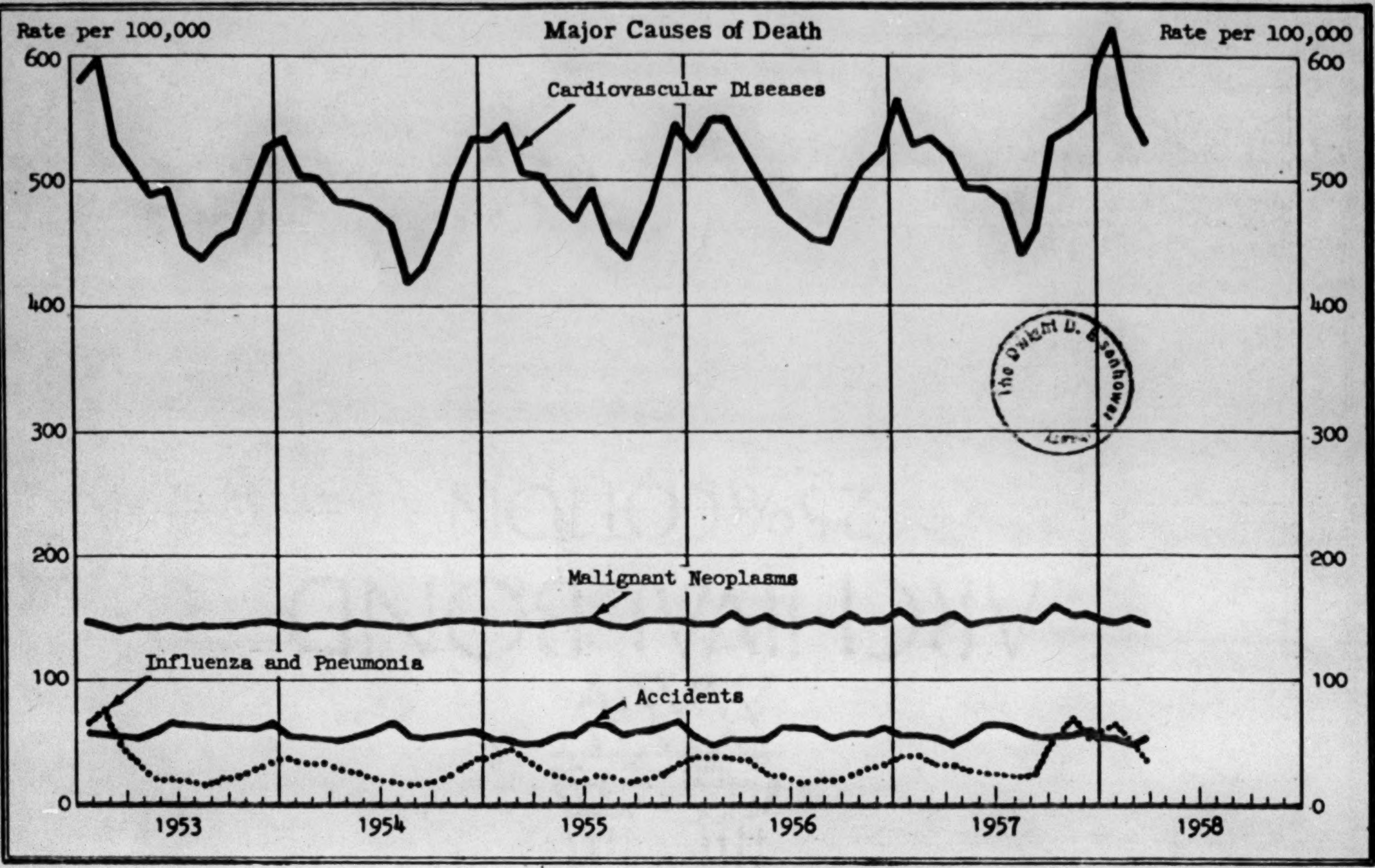
Period	All ages		Under 1 year	1-24 years	25-44 years	45-64 years	65 years and over
	Unadjusted	Age adjusted 1/					
1940	10.8	10.8	54.9	1.8	4.0	15.3	72.2
1949	9.7	8.5	35.2	1.1	2.7	13.3	62.2
1950	9.6	8.4	33.0	1.0	2.6	13.1	62.7
1951	9.7	8.3	32.6	1.0	2.6	13.0	62.3
1952	9.6	8.2	32.7	1.0	2.5	12.8	61.5
1953	9.6	8.1	31.4	0.9	2.4	12.6	62.1
1954	9.2	7.7	30.3	0.9	2.3	12.0	59.7
1955	9.3	7.7	29.6	0.8	2.3	11.8	61.5
1956	9.4	7.7	29.7	0.8	2.2	11.8	62.0
1957(p)	9.6	7.9	29.0	0.8	2.3	12.0	63.4
1957 2/							
April	9.5	-	27.0	0.7	2.2	12.3	64.9
May	9.1	-	26.7	0.8	2.1	11.6	58.6
June	9.3	-	28.8	0.9	2.3	11.5	60.7
July	9.2	-	29.4	0.9	2.3	11.5	60.8
August	8.6	-	27.4	0.9	2.2	10.8	54.3
September	8.8	-	29.1	0.8	2.2	11.0	57.7
October	10.2	-	30.4	1.0	2.5	13.5	66.9
November	10.4	-	30.5	0.9	2.5	12.6	69.1
December	10.3	-	29.4	1.0	2.5	12.9	70.1
1958							
January	10.6	-	31.4	0.8	2.3	13.1	70.7
February	10.9	-	30.4	0.8	2.3	13.1	75.0
March	10.2	-	28.5	0.8	2.2	12.5	70.2
April	9.8	-	28.7	0.8	2.2	11.7	66.9
May							
June							

1/ The age-adjusted death rate takes into account changes in the age composition of the population. For a given year the age-adjusted death rate is that rate which would have resulted if the mortality of each age group during the given year had been experienced by a population with a standard age distribution—in this case the age distribution that prevailed on April 1, 1940 Monthly rates are on an annual basis. 2/ Estimated from a 10-percent sample of death certificates.

Source: Public Health Service

DEATH RATES: BY MAJOR CAUSES

Deaths from all causes were 976 per 100,000 in April. Deaths from cardiovascular diseases and malignant neoplasms accounted for 680 of the total.



(Deaths per 100,000) [1]

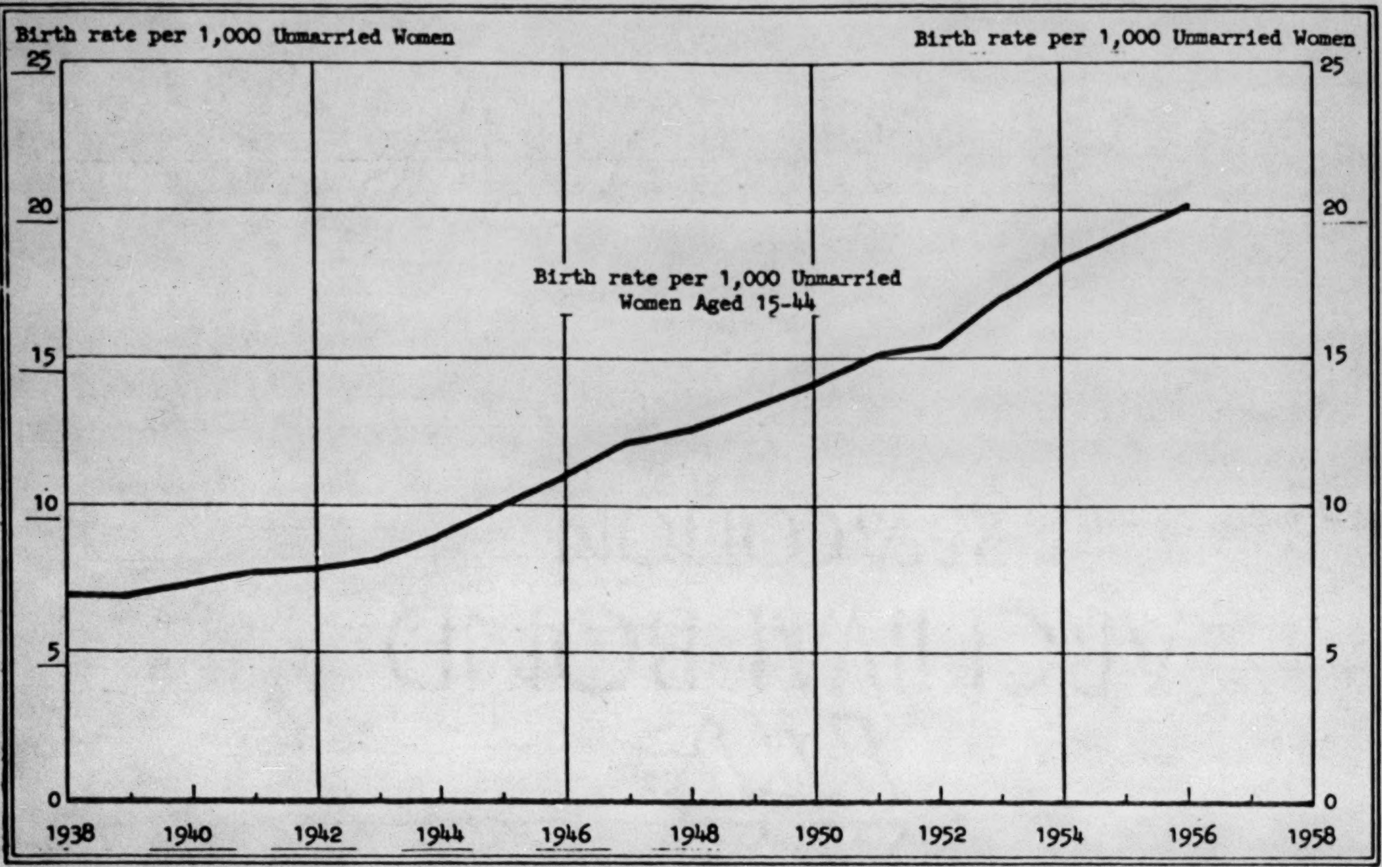
Period [2]	All causes	Death rates for selected major causes					All other causes
		Cardiovascular diseases	Malignant neoplasms	Accidents	Certain diseases of early infancy	Influenza and pneumonia	
1940	1,076.4	406.6	120.3	73.2	39.2	70.3	366.8
1949	971.0	484.6	138.8	60.6	43.2	30.0	213.8
1950	963.8	494.4	139.8	60.6	40.5	31.3	197.2
1951	966.3	498.3	140.5	62.5	41.1	31.4	192.5
1952	961.0	498.3	143.3	61.8	40.9	29.7	187.0
1953	958.5	502.7	144.7	60.1	40.1	33.0	177.9
1954	918.9	484.6	145.6	55.9	39.4	25.4	168.0
1955	930.4	496.4	146.5	56.9	39.0	27.1	164.5
1956	935.4	501.5	147.9	56.7	38.6	28.2	162.5
1957	960.5	513.6	150.3	56.1	38.2	35.8	166.5
1957							
April	954.0	523.7	151.6	48.8	36.2	30.9	162.8
May	915.1	496.5	144.9	52.6	37.6	24.9	158.6
June	934.2	495.9	147.9	61.9	40.9	23.4	164.2
July	919.2	484.9	149.2	64.0	41.0	22.5	157.6
August	858.0	439.8	150.4	59.6	39.4	21.6	147.2
September	884.4	463.7	147.1	53.7	38.2	24.6	157.1
October	1,019.2	534.0	158.3	56.2	42.1	53.3	175.3
November	1,041.8	542.3	151.4	55.8	40.6	66.6	185.1
December	1,030.9	553.8	152.2	60.8	34.4	50.2	179.5
1958							
January	1,064.1	590.1	149.1	53.0	38.1	53.3	186.6
February	1,093.5	623.7	147.0	51.8	35.1	60.6	186.5
March	1,018.2	551.6	149.3	48.0	36.0	50.7	182.5
April	975.5	533.7	146.2	52.1	40.4	36.5	166.7
May							
June							

[1] Includes only deaths occuring within the continental United States. Monthly rates are computed on an annual basis. [2] Annual rates for 1940 and 1950 are as of April 1; rates for other years are as of July 1.

Source: Public Health Service

ILLEGITIMATE BIRTHS

The illegitimacy rate per 1,000 unmarried women aged 15-44 rose from 7.0 in 1938 to 20.2 in 1956, nearly a threefold increase in 18 years. In 1956 approximately 193,500 births were registered as births to unmarried women.



Year	Total illegitimate births 1/		Illegitimate births to white women		Illegitimate births to nonwhite women	
	Number	Rates per 1,000 unmarried women 15-44 2/	Number	Rates per 1,000 unmarried women 15-44 2/	Number	Rates per 1,000 unmarried women 15-44 2/
1938	87,900	7.0	41,200		46,800	
1939	88,400	7.0	40,400		48,100	
1940	89,500	7.1	40,300	3.6	49,200	35.6
1941	95,700	7.1	41.900		53,800	
1942	96,500	7.9	42,000		54,500	
1943	98,100	8.2	42,800		55,400	
1944	105,200	8.9	49,600		55,600	
1945	117,400	10.0	56,400		60,900	
1946	125,200	11.0	61,400		63,800	
1947	131,900	12.1	60,500		71,500	
1948	129,700	12.7	54,800		74,900	
1949	133,200	13.4	53,500		79,700	
1950	141,600	14.2	53,500	6.1	88,100	71.3
1951	146,500	15.2	52,600		93,900	
1952	150,300	15.6	54,100		96,200	
1953	160,800	17.0	56,600		104,200	
1954	176,600	18.3	62,700		113,900	
1955	183,300	19.3	64,200		119,200	
1956	193,500	20.2	67,500		126,000	
1957						
1958						

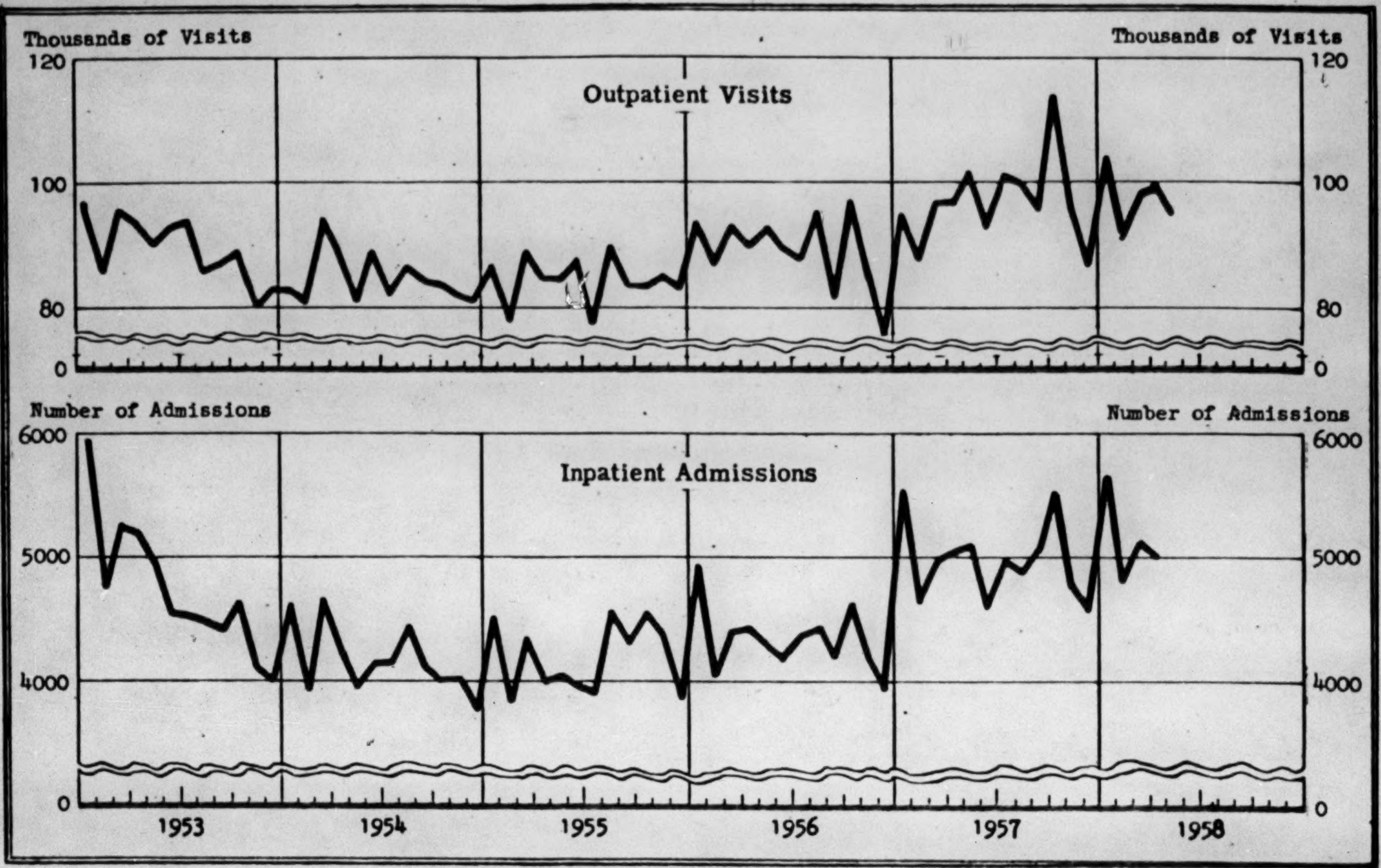
1/ Total derived by adding to the number of illegitimate live births for States reporting such births an estimate of the number of illegitimate births in States not reporting. No estimates are included for misstatements on the birth record or for failures to register births. "Unmarried women" include those never married, widowed and divorced. Illegitimate births to married women are included only in those few cases in which the fact of illegitimacy is specifically recorded. There is no direct knowledge as to the characteristics of the unwed mothers who may be misreporting legitimacy status. It seems likely, however, that the decision to conceal the illegitimacy of the births is conditioned by attitudes in the mother's social group towards her and towards children born out of wedlock. Also, the ability (economic or otherwise) to leave a community before the birth of the child is an important consideration. These factors are generally believed to operate in the direction of a proportionately greater understatement of illegitimacy in the white group than in the nonwhite and in the older age group of women as compared with the younger. Another source of error is the failure to register births at all. It may well be that underregistration is appreciably greater in the illegitimate group than in the legitimate.

2/ Illegitimacy rates by race can be computed only for Census years. Estimates of the unmarried white and nonwhite female populations aged 15-44 are not available for other years.

Source: National Office of Vital Statistics

PUBLIC HEALTH SERVICE HOSPITALS AND CONTRACT FACILITIES

Inpatient admissions to Public Health Service hospitals and contract facilities rose slightly in May to 5,058, but the average inpatient load during the month (5,449) was somewhat lower than in April. The number of outpatient visits decreased to 95,691.



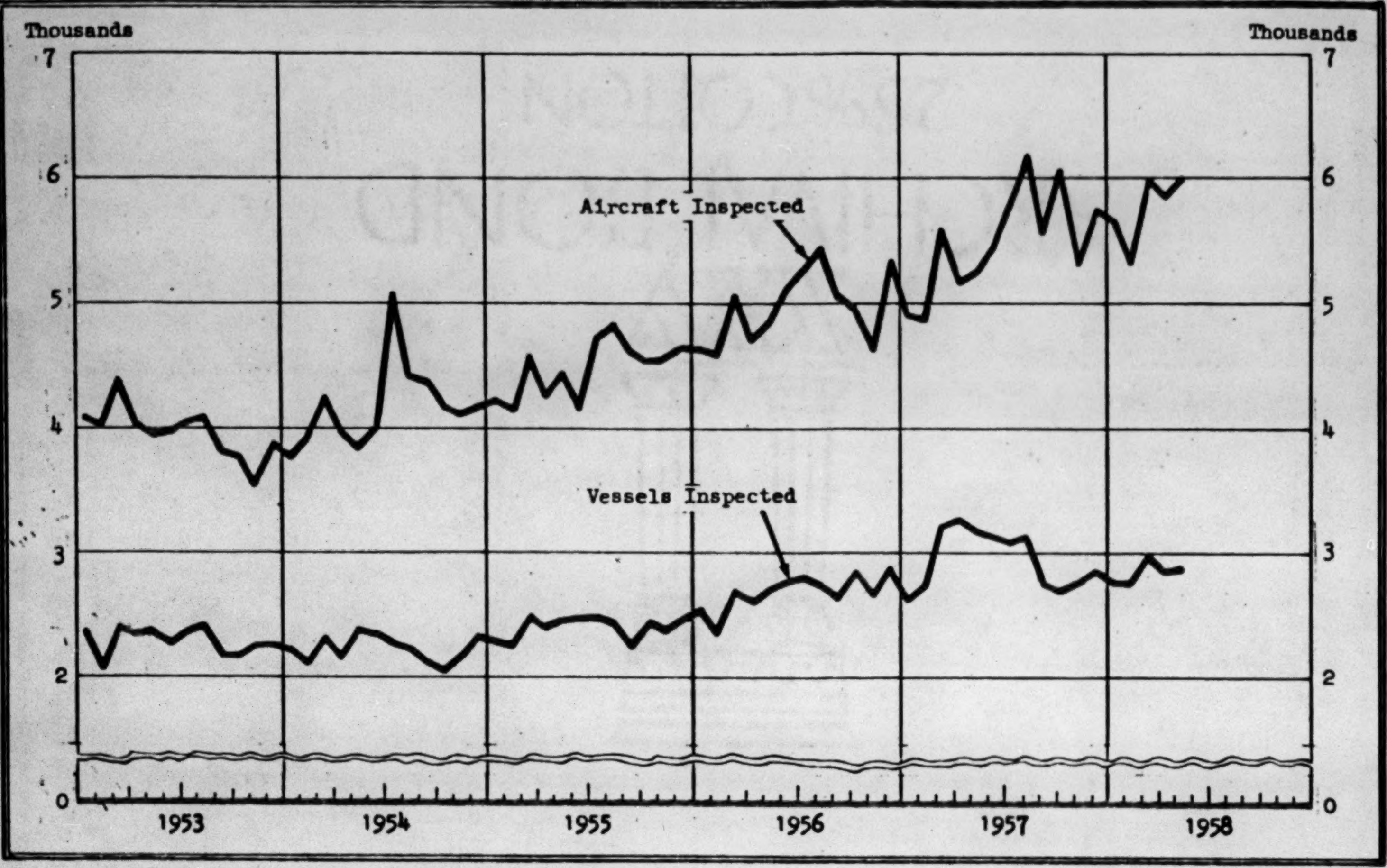
Period [1]	Inpatient Admissions	Daily average inpatient load					Outpatient visits
		Total	Seamen	Addicts	Dependents medical care	Other	
1940	63,089	6,742	2,829	1,423	380	2,110	889,391
1949	83,500	7,699	3,194	1,081	838	2,586	920,678
1950	75,547	7,662	3,029	1,307	629	2,697	1,023,669
1951	73,441	7,517	2,828	1,439	621	2,629	1,072,903
1952	74,598	7,166	2,814	1,444	665	2,243	1,147,725
1953	62,017	6,485	2,704	1,508	675	1,598	1,103,944
1954	51,896	5,748	2,532	1,363	607	1,246	1,036,124
1955	49,347	5,529	2,407	1,364	571	1,187	1,012,870
1956	52,087	5,509	2,359	1,392	605	1,153	1,052,578
1957	55,915	5,516	2,369	1,390	651	1,106	1,098,623
1957							
January	5,557	5,739	2,524	1,393	709	1,113	95,149
February	4,669	5,801	2,519	1,391	761	1,130	88,151
March	4,996	5,770	2,421	1,414	795	1,140	96,855
April	5,059	5,623	2,322	1,421	759	1,121	97,101
May	5,104	5,638	2,344	1,380	771	1,143	101,600
June	4,627	5,454	2,262	1,372	711	1,109	93,827
July	4,992	5,378	2,229	1,353	718	1,078	101,059
August	4,898	5,396	2,222	1,349	746	1,079	100,380
September	5,089	5,501	2,294	1,354	774	1,079	96,106
October	5,637	5,629	2,351	1,334	836	1,108	114,341
November	4,771	5,629	2,387	1,335	813	1,094	96,409
December	4,591	5,434	2,340	1,360	711	1,023	87,626
1958							
January	5,663	5,759	2,478	1,381	813	1,087	103,988
February	4,803(r)	5,834	2,438	1,411	985(r)	1,110	91,872(r)
March	5,101	5,683	2,311	1,398	885	1,089	98,000
April	5,010	5,550	2,273	1,382	825	1,070	99,614
May	5,058	5,449	2,199	1,383	816	1,051	95,691
June							

[1] Fiscal years.

Source: Public Health Service

FOREIGN QUARANTINE: INSPECTIONS OF VESSELS AND AIRCRAFT

Foreign quarantine inspections of vessels totalled 2,888 in May; aircraft inspections totalled 6,017. During FY 1957, 2.1 million persons arriving from foreign countries by ship were inspected for quarantinable disease; 1.4 million persons arriving by air were inspected.



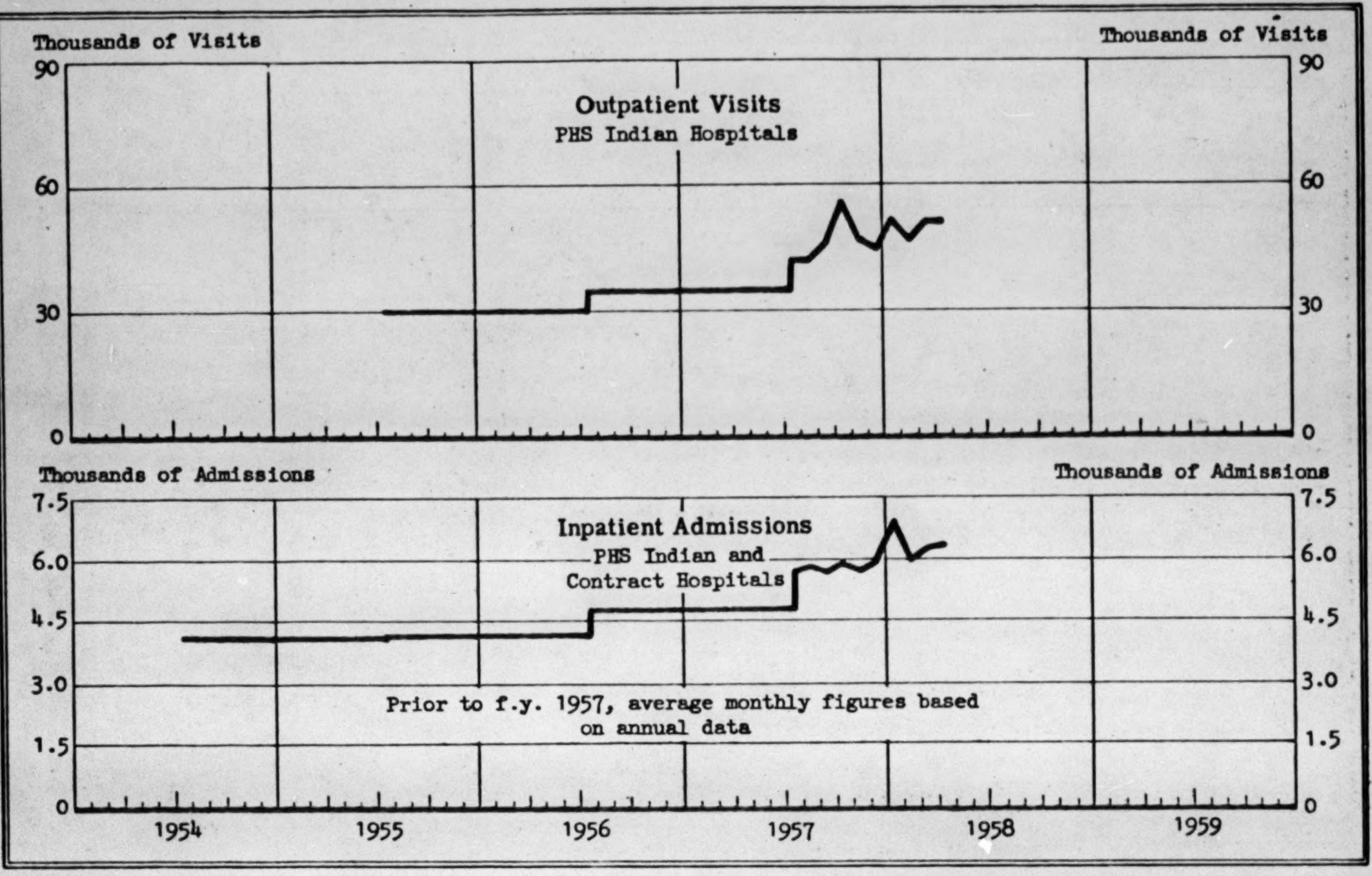
Period	Vessel Inspections 1/				Aircraft inspections 1/			
	Total	Quarantine only	Quarantine and Immigration	Immigration only	Total	Quarantine only	Quarantine and Immigration	Immigration only
1950	22,389	1,160	16,412	4,817	39,921	4,666	19,495	15,760
1951	25,343	1,582	18,835	4,926	43,036	7,747	20,564	14,725
1952	29,728	1,493	22,536	5,699	45,638	9,203	21,264	15,171
1953	27,524	1,007	20,235	6,282	47,902	10,020	22,285	15,597
1954	27,171	1,451	19,435	6,285	47,307	8,152	23,139	16,016
1955	27,551	1,708	19,781	6,062	54,759	9,051	29,792	15,916
1956	30,126	1,739	22,154	6,233	56,891	9,278	33,266	14,347
1957	34,779	1,981	25,801	6,997	61,892	8,655	37,623	15,614
1958								
1957								
January	2,620				4,903			
February	2,719				4,870			
March	3,211				5,586			
April	3,268				5,179			
May	3,194				5,235			
June	3,137				5,413			
July	3,098	214	2,244	640	5,786	662	3,738	1,386
August	3,133	228	2,258	647	6,197	559	4,161	1,477
September	2,746	154	2,024	568	5,569	700	3,626	1,243
October	2,697	152	2,083	462	6,063	846	4,021	1,196
November	2,766	203	1,981	582	5,302	769	3,353	1,180
December	2,848	186	2,132	530	5,728	910	3,471	1,347
1958								
January	2,780	219	1,984	577	5,671	751	3,523	1,397
February	2,642	268	1,807	567	5,311	806	3,251	1,254
March	2,943	232	2,058	653	5,981	896	3,610	1,475
April	2,851	221	1,907	723	5,865	862	3,421	1,582
May	2,888	215	1,984	689	6,017	800	4,029	1,188
June								

1/ Vessels and aircraft arriving at the continental and insular ports of the United States from most foreign ports are inspected for quarantine purposes; those carrying alien crew or passengers are inspected for purposes of immigration.

Source: Public Health Service

INDIAN HEALTH PROGRAM

Admissions to PHS Indian and contract hospitals and outpatient visits to Indian hospitals continue to increase. Compared with the first four months of last year, admissions were up 9 percent and outpatient visits 11 percent.



Period[1]	Admissions	Daily average inpatient load				Outpatient visits[3]
		Total[2]	General	Tuberculosis	Mental	
1953	51,135	3,211	1,442	1,561	208	
1954	49,611	3,440	1,414	1,814	212	
1955	50,142	3,695	1,372	2,120	203	363,608
1956	57,975	4,197	1,601	2,392	204	415,860
1957	66,455	4,205	1,789	2,197	219	470,468
1958						
1957						
January	6,070	4,380	1,963	2,198	219	43,089
February	5,644	4,435	1,955	2,261	219	42,857
March	6,105	4,402	1,930	2,253	219	49,468
April	5,556	4,394	1,932	2,222	240	46,400
May	5,563	4,301	1,866	2,195	240	42,235
June	5,621	4,220	1,880	2,100	240	34,597
July	5,737	3,816	1,752	1,834	230	41,514
August	5,824	3,762	1,805	1,727	230	42,463
September	5,680	3,733	1,791	1,712	230	45,701
October	5,938	3,670	1,869	1,581	220	55,623
November	5,790	3,758	1,939	1,599	220	47,027
December	5,892	3,600	1,845	1,535	220	44,562
1958						
January	6,926	3,653	2,014	1,431	208	51,895
February	5,977	3,665	2,019	1,438	208	47,280
March	6,294	3,610	1,983	1,419	208	50,919
April	6,400	3,438	1,924	1,309	205	51,059
May						
June						

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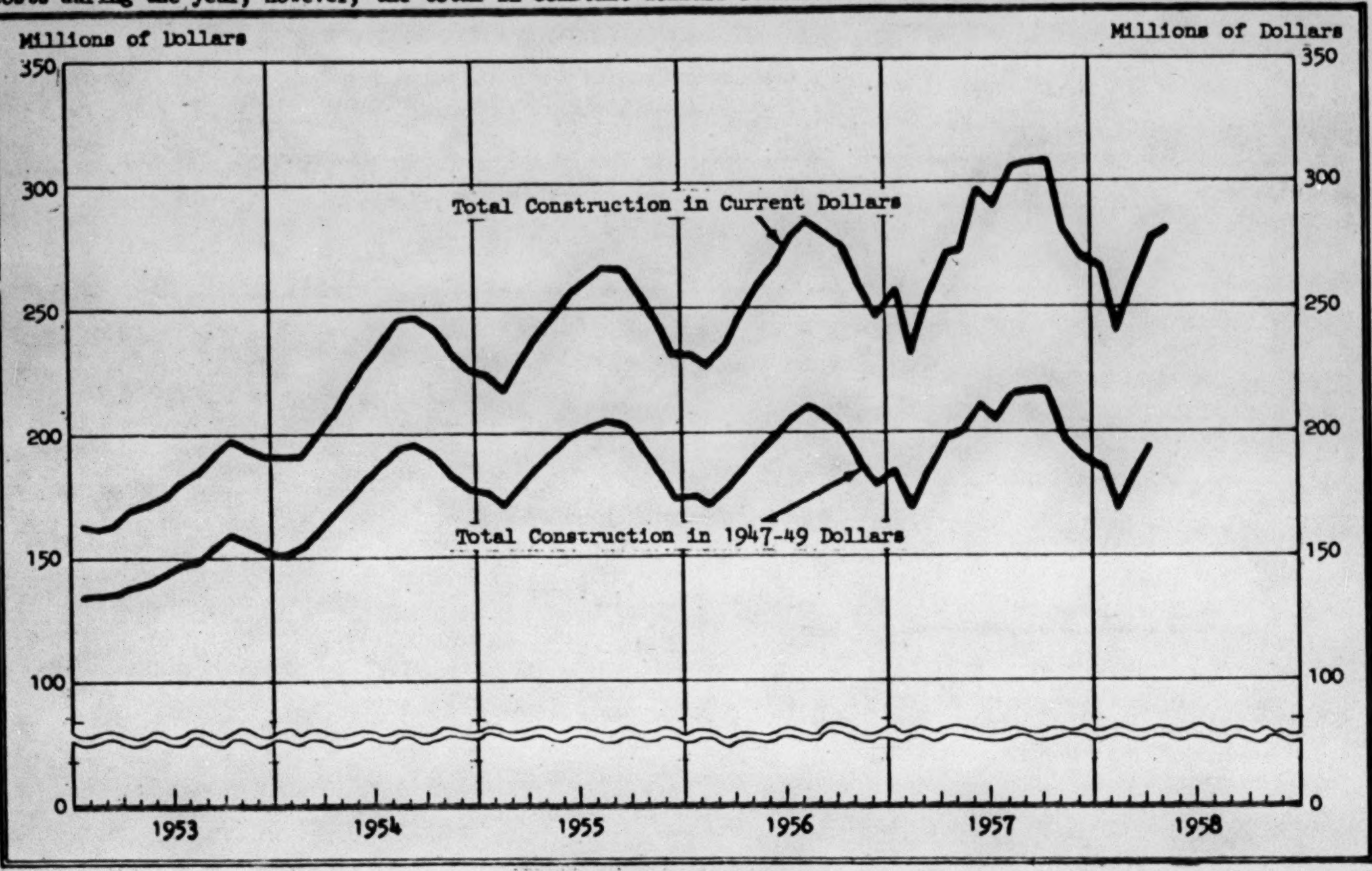
[1] Fiscal years. [2] Total daily average load has been declining due to rapid decline in tuberculosis patient load. During March 1958 tuberculosis patients represented about 40% of the daily average census, compared with over 50% during March a year ago. [3] Excludes visits for medical service at Indian health centers, stations, school health centers and private practitioners' offices.

Source: Public Health Service

EDUCATIONAL CONSTRUCTION: VALUE PUT IN PLACE

Public and private educational construction put in place in May totalled $282 million. The total for the first five months of 1958 is four percent above the first five months of 1957. Because of the rise in construction costs during the year, however, the total in constant dollars remained about the same.



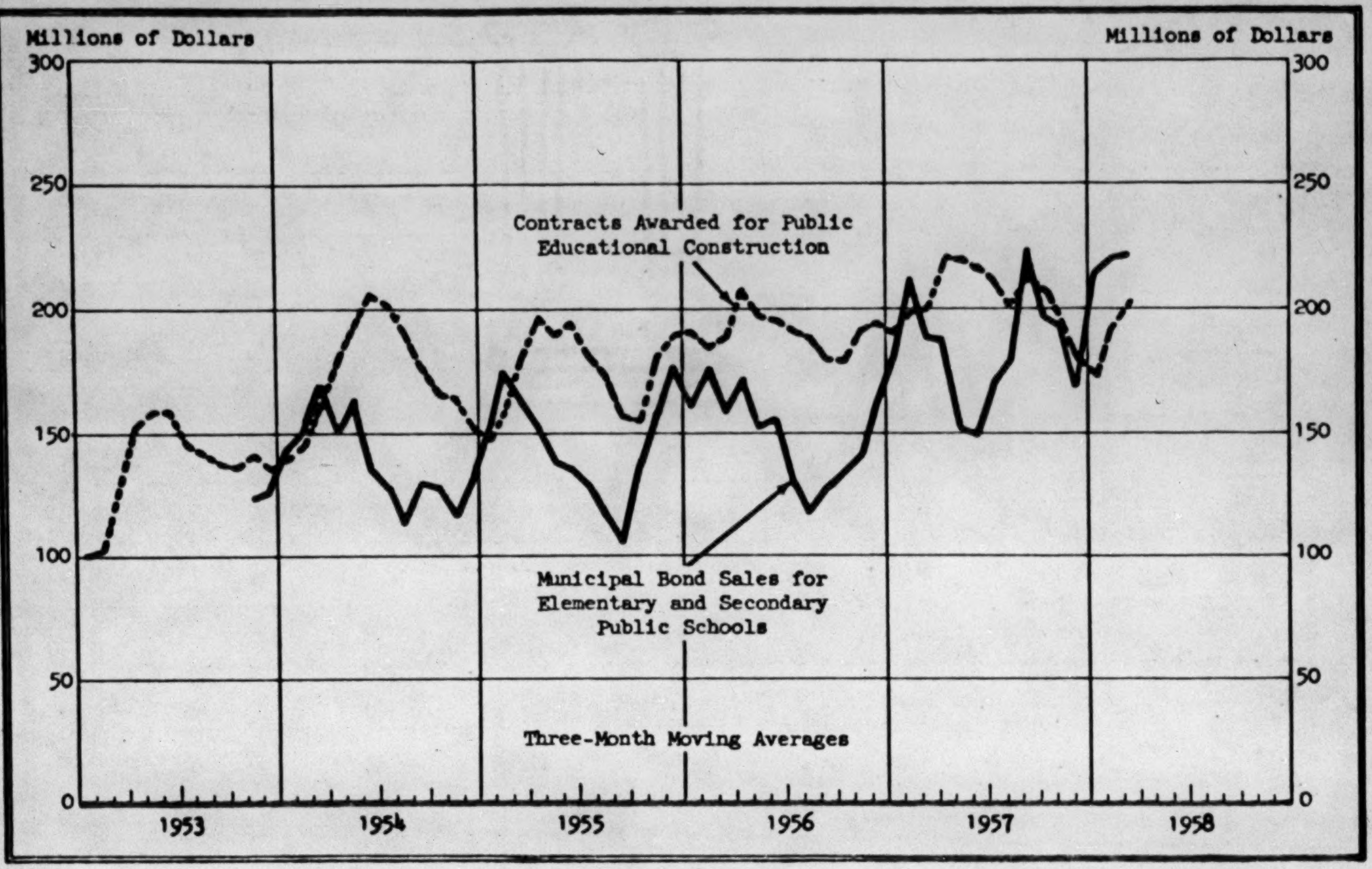
(In millions of dollars)

Period	New Educational construction put in place								
	In current dollars			In current dollars, seasonally adjusted			In 1947-49 dollars		
	Total	Public	Private	Total	Public	Private	Total	Public	Private
1949	1,203	934	269	1,203	934	269	-	897	-
1950	1,427	1,133	294	1,427	1,133	294	-	1,061	-
1951	1,858	1,513	345	1,858	1,513	345	-	1,337	-
1952	1,970	1,619	351	1,970	1,619	351	-	1,375	-
1953	2,140	1,714	426	2,140	1,714	426	1,743	1,397	346
1954	2,663	2,134	529	2,663	2,134	529	2,115	1,694	421
1955	2,934	2,442	492	2,934	2,442	429	2,267	1,888	379
1956	3,085	2,549	536	3,085	2,549	536	2,282	1,887	395
1957	3,350	2,825	525	3,351	2,832	519	2,379	2,011	368
1957									
January	256	213	43	273	229	44	185	154	31
February	231	190	41	253	209	44	166	137	29
March	254	214	40	270	225	45	183	154	29
April	272	232	40	279	234	45	196	167	29
May	272	232	40	268	225	43	195	166	29
June	297	254	43	288	244	44	210	180	30
July	290	248	42	272	232	40	205	175	30
August	305	258	47	283	239	44	215	182	33
September	309	261	48	288	244	44	217	183	34
October	310	262	48	296	252	44	217	183	34
November	282	235	47	286	242	44	197	164	33
December	272	226	46	290	246	44	190	158	32
1958									
January	269	226	43	287	243	44	188	158	30
February	243	201	42	266	221	45	170	141	29
March	263	222	41	280	234	46	184	155	29
April	279	237	42	286	239	47	194	165	29
May	282	239	43	279	232	47		-	-
June									

Source: Departments of Commerce and Labor and Office of Education

PUBLIC EDUCATIONAL CONSTRUCTION: BOND SALES AND CONTRACT AWARDS

Contracts awarded for State and local public educational construction, including public higher educational construction, totalled $208.8 million in April. Public elementary and secondary school bond sales totalled $884.4 million in the first four months of 1958 as compared with $804.3 million in the first four months of 1957.



(In millions of dollars)

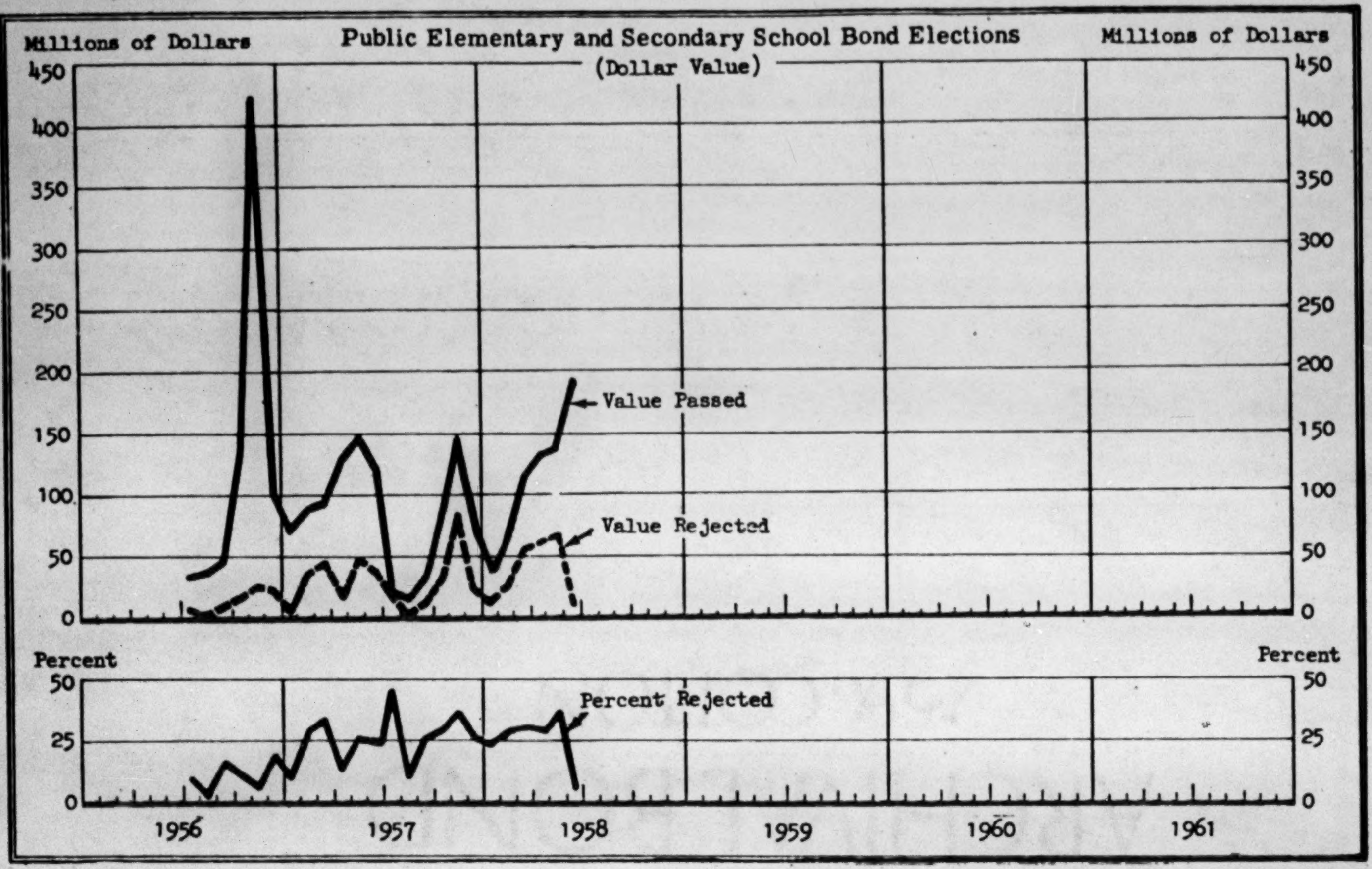
Period	Public elementary and secondary school bond sales 1/ (value in millions of dollars)		Contracts awarded for public educational construction (value in millions of dollars) 2/		
			State and locally owned		
	Total	Three-month moving average	Value	Three-month moving average	Federally owned
1940	-	-	-	-	-
1949	-	-	853.3	-	-
1950	-	-	1,180.5	-	-
1951	-	-	1,362.4	-	-
1952		-	1,351.0	-	-
1953		-	1,629.3	-	-
1954	1,637.8	-	2,077.9	-	-
1955	1,761.7	-	2,107.2	-	21.6
1956	1,754.2	-	2,289.0	-	27.1
1957	2,219.0	-	2,450.5		48.4
1957					
January	236.8	182.8	184.9	190.8	20.5
February	175.3	213.3	175.9	198.6	1.5
March	227.7	189.2	234.9	200.8	4.0
April	164.5	187.7	191.6	221.4	8.7
May	171.0	152.5	237.6	220.4	1.0
June	121.9	149.7	231.9	217.5	7.6
July	156.1	171.0	183.0	212.7	2.1
August	234.9	180.1	223.2	202.4	3/
September	149.2	223.8	201.0	213.2	.2
October	287.2	198.1	215.4	207.9	.3
November	157.9	193.9	207.4	195.5	2.0
December	136.5	170.3	163.7	180.2	.4
1958					
January	216.5	214.6	169.5	173.8	.8
February	290.7	220.3	188.3	190.3	3.2
March	153.8	222.6	213.2	203.4	5.8
April	223.4		208.8		6.3
May					
June					

1/ Compiled by the Office of Education from data reported by The Bond Buyer. 2/ Compiled by the Office of Education from data reported by the Departments of Commerce and Labor; includes contracts awarded for public higher educational construction. 3/ Less than $50,000.

Source: Departments of Commerce and Labor
and Office of Education

SCHOOL BOND ELECTIONS

Public elementary and secondary school bonds valued at $205.6 million were voted on in June. Of the total, $194.7 million, or 94.7 percent, were approved. Only $10.9 million, or 5.3 percent were rejected. Bond approvals in the first six months of 1958 totalled $688.3 million--5 percent greater than the $654.0 million approved in the first half of 1957.



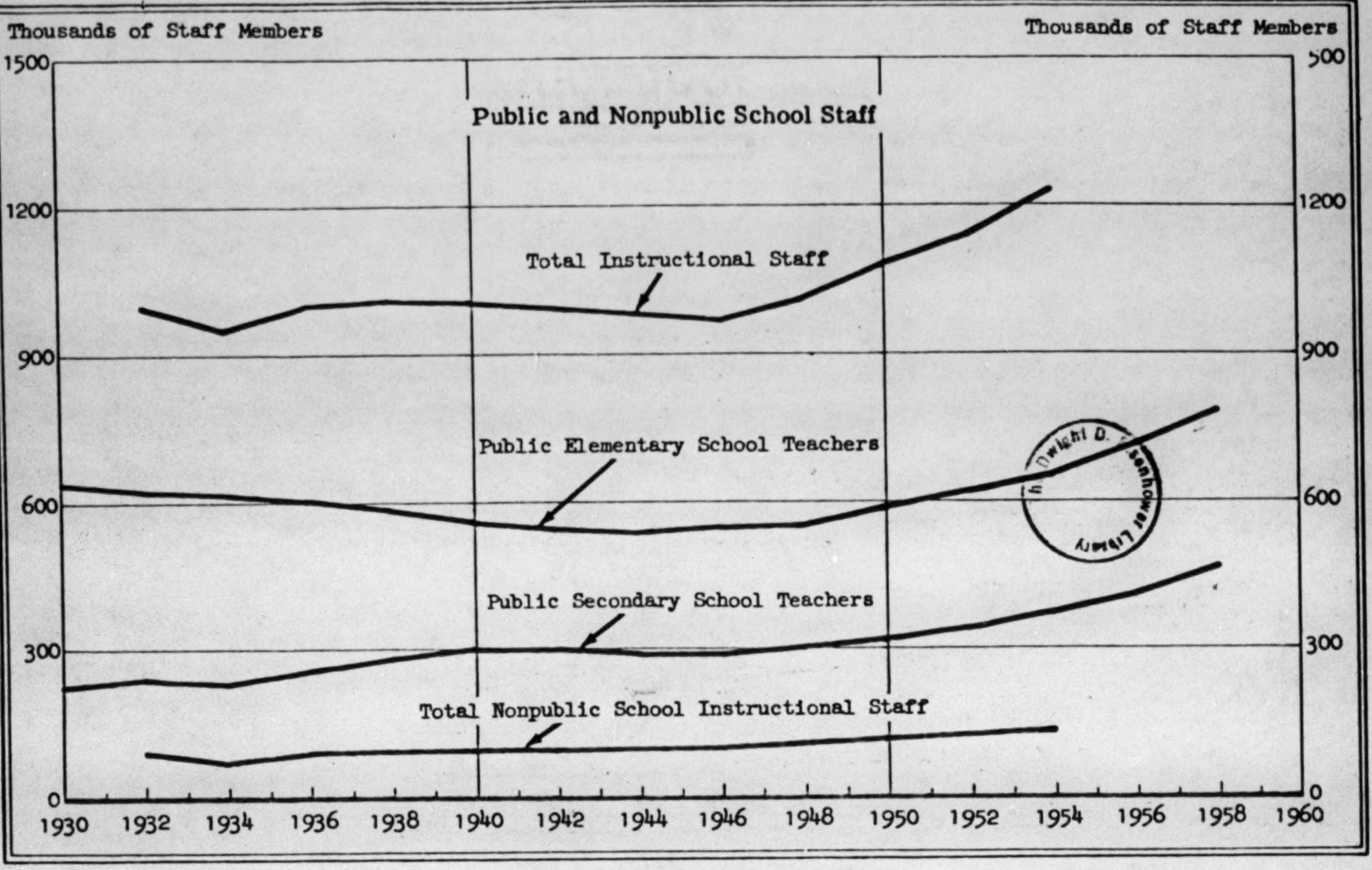
Period	Public elementary and secondary school bond elections 1/				
	Value of bonds voted upon (in millions of dollars)			Percent of bonds passed and rejected (by value)	
	Total 2/	Passed	Rejected	Passed	Rejected
1956					
July	36.3	33.1	3.2	91.2	8.8
August	38.1	37.5	0.7	98.2	1.8
September	53.7	45.2	8.4	84.3	15.7
October	148.1	131.5	16.7	88.7	11.3
November	456.3	431.0	25.3	94.5	5.5
December	122.0	99.8	22.2	81.8	18.2
1957					
January	77.2	70.2	7.0	91.0	9.0
February	122.5	88.5	34.0	72.2	27.8
March	137.1	92.9	44.2	67.8	32.2
April	149.5	131.1	18.4	87.7	12.3
May	197.0	147.8	49.2	75.0	25.0
June	162.6	123.5	39.1	75.9	24.1
July	38.4	21.8	16.7	56.6	43.4
August	18.5	16.8	1.7	91.0	9.0
September	45.9	34.1	11.8	74.3	25.7
October	118.7	85.3	33.4	71.9	28.1
November	230.4	147.3	83.1	63.9	36.1
December	95.8	70.1	25.7	73.2	26.8
1958					
January	50.0	38.4	11.6	76.8	23.2
February	95.7	66.9	28.8	69.9	29.6
March	172.3	116.7	55.6	67.7	32.3
April	193.7	132.9	60.8	68.6	31.4
May	206.1	138.7	67.5	67.3	32.7
June	205.6	194.7	10.9	94.7	5.3

1/ Compiled by the Office of Education from special tabulations supplied, under contract, by the Investment Bankers Association of America. Minor adjustments will be made to the latest figures as delayed information becomes available. 2/ Detail will not necessarily add to totals because of rounding.

Source: Investment Bankers Association of America and Office of Education

SCHOOL INSTRUCTIONAL STAFF

Public elementary and secondary school teachers now total 1,240,000. Secondary school teachers are increasing at a much higher rate (up 351 percent since 1920) than are elementary school teachers (up 35 percent since 1920).



(Staff members in thousands)1/

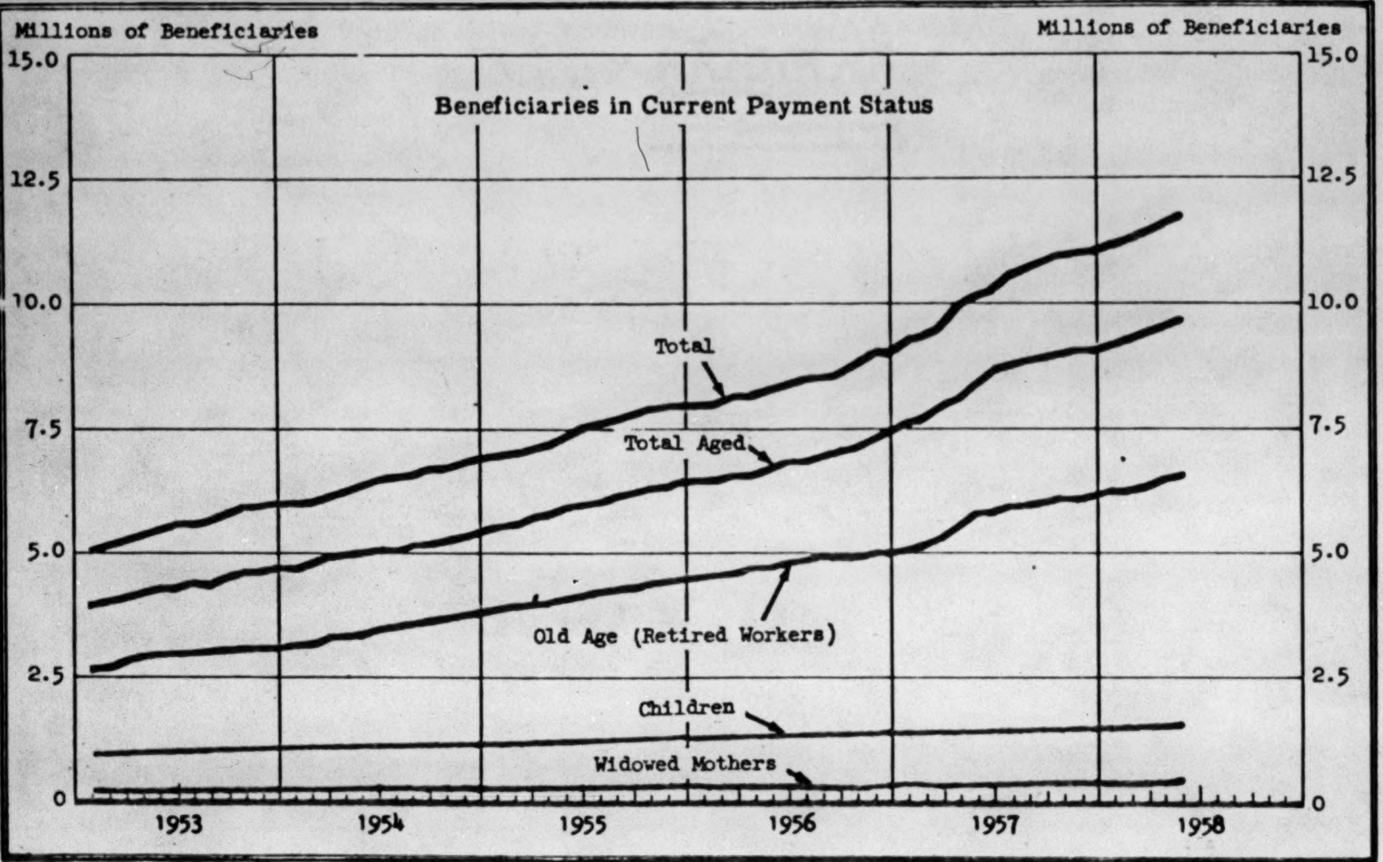
School year ended	Total instructional staff 2/	Public schools: Instructional staff	Public schools: Teachers 4/: Total	Teachers 4/: Elementary 5/	Teachers 4/: Secondary 6/	Nonpublic schools 3/: Instructional staff: Total	Instructional staff: Elementary	Instructional staff: Secondary
1900	-	-	423	-	-	37	26	10
1910	-	-	523	-	-	46	35	11
1920	760	700	678	576	102	60	45	15
1930	-	892	854	641	213	-	-	-
1932	993	901	872	640	231	91	66	25
1934	952	880	847	619	228	72	51	21
1936	998	906	871	603	268	91	66	25
1938	1,014	919	877	595	282	95	67	28
1940	1,007	912	875	575	300	95	65	30
1942	995	898	859	559	300	97	66	32
1944	-	865	828	539	289	-	-	-
1946	968	867	831	542	289	101	64	36
1948	1,016	907	861	555	306	109	67	42
1950	1,080	962	914	590	324	118	76	42
1952	1,136	1,012	963	620	343	124	82	42
1954	1,232	1,098	1,032	658	375	134	85	49
1956 7/		1,203	1,127	719	408			
1958 7/		1,330	1,240	780	460			

1/ Detail may not add to totals due to rounding. 2/ Includes principals, supervisors, librarians, guidance and psychological personnel, as well as classroom teachers. 3/ Data largely estimated; separate data for teachers alone are not available. 4/ Prior to 1938, data on public school teachers are for number of positions; prior to 1954, data include librarians and guidance and psychological personnel. 5/ Includes kindergarten. 6/ Includes junior, senior, junior-senior and regular high schools. 7/ Data from Advance Estimates of the National Education Association.

Source: Office of Education and
National Educational Association

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE: BENEFICIARIES

Individuals receiving OASDI benefits rose to 11.8 million at the end of May. Individuals receiving disability benefits numbered 195,000.



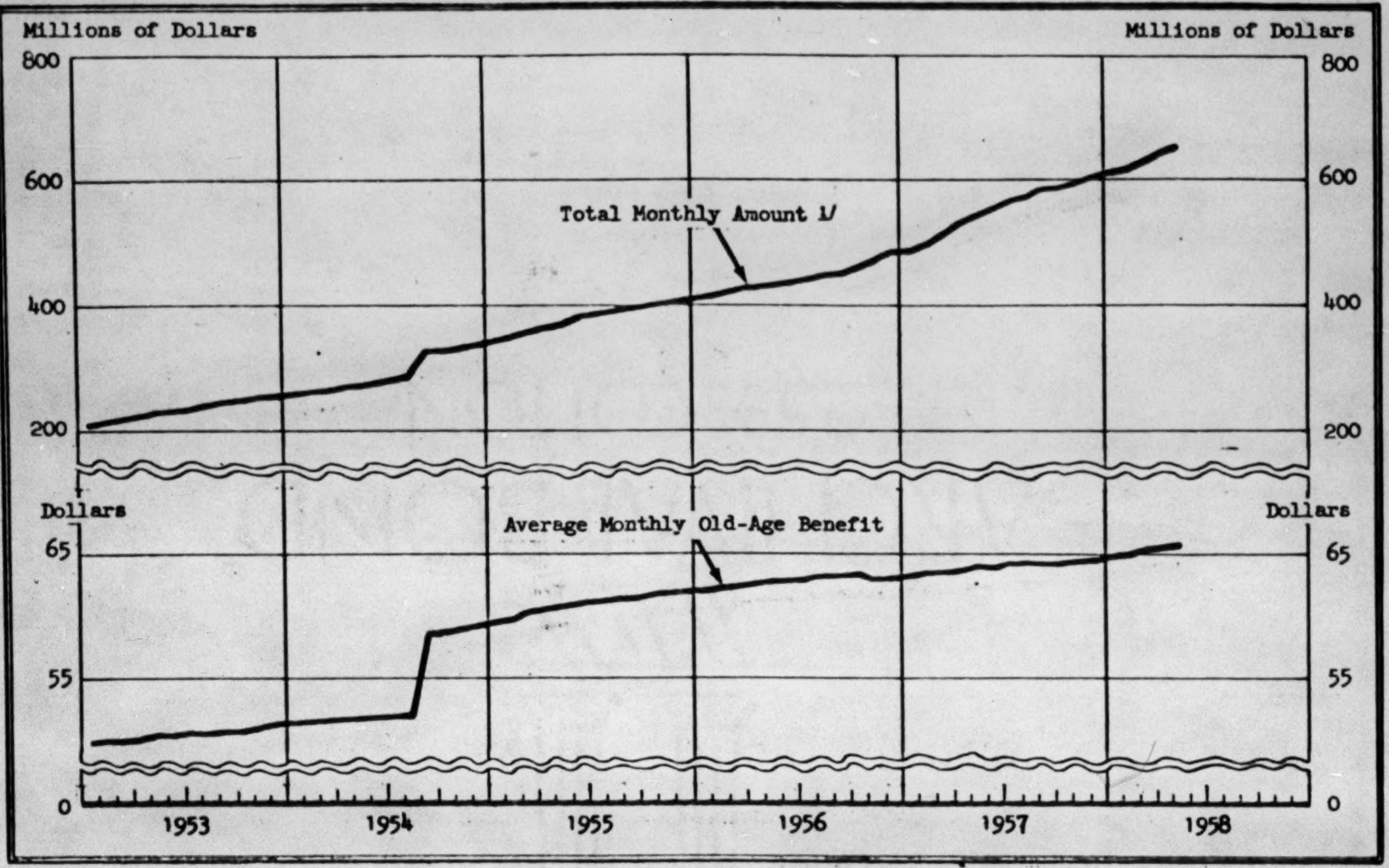
Period	Percent of total population age 65 and over [1]		Number in current-payment status, end of period, in thousands						
	Eligible for benefits	Receiving benefits	Total	Aged [2]			Widowed mothers	Children [3]	Dis-ability
				Total aged	Retired workers	Other aged			
1940	6.9	0.7	222	147	112	35	20	55	-
1949	24.5	14.9	2,743	1,951	1,286	665	152	639	-
1950	26.0	17.0	3,477	2,608	1,771	837	169	700	-
1951	35.5	23.5	4,379	3,329	2,278	1,050	204	846	-
1952	42.2	26.0	5,026	3,858	2,644	1,214	229	939	-
1953	45.9	31.4	5,981	4,674	3,222	1,452	254	1,053	-
1954	49.0	35.8	6,886	5,454	3,775	1,679	272	1,161	-
1955	52.0	41.5	7,961	6,392	4,474	1,918	292	1,276	-
1956	59.1	45.4	9,128	7,486	5,112	2,373	301	1,341	-
1957									
1957									
January	-	-	9,261	7,607	5,185	2,422	303	1,352	-
February	-	-	9,387	7,724	5,255	2,469	303	1,360	-
March ..	-	-	9,607	7,931	5,390	2,541	305	1,371	-
April ..	-	-	9,928	8,227	5,584	2,642	309	1,393	-
May	-	-	10,176	8,453	5,734	2,718	311	1,412	-
June ...	64.8	52.5	10,342	8,600	5,832	2,768	315	1,427	-
July ...	-	-	10,567	8,718	5,913	2,805	319	1,440	91
August	-	-	10,678	8,800	5,967	2,833	320	1,448	110
September	-	-	10,792	8,892	6,029	2,862	320	1,459	120
October	-	-	10,924	8,995	6,098	2,897	323	1,475	131
November	-	-	11,026	9,073	6,149	2,924	325	1,488	140
December	66.6	55.0	11,129	9,149	6,198	2,951	328	1,502	150
1958									
January	-	-	11,205	9,207	6,236	2,970	330	1,509	159
February	-	-	11,322	9,303	6,301	3,003	331	1,519	169
March ..	-	-	11,461	9,417	6,380	3,036	335	1,532	178
April ..	-	-	11,628	9,557	6,476	3,080	338	1,546	187
May	-	-	11,758	9,666	6,552	3,115	340	1,557	195
June ...									

[1] As of June 30. Figures include Alaska and Hawaii and beginning with 1951, Puerto Rico and Virgin Islands. [2] Consists of old age (retired workers), wife's, widow's, and parent's beneficiaries. Beginning with 1950 includes, as a small proportion, wife beneficiaries under age 65 with child beneficiaries in their care. Beginning November 1956, includes women aged 62-64 entitled to old-age, wife's, widow's or parent's benefits. [3] Beginning with 1957 includes persons receiving "childhood disability" benefits.

Source: Social Security Administration

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE: BENEFIT PAYMENTS

Monthly OASDI benefits in current payment status totalled $649.7 million at the end of May. Average old-age benefits were $65.54. Disability benefits for May averaged $74.22.



(Benefits in current payment status at end of period)

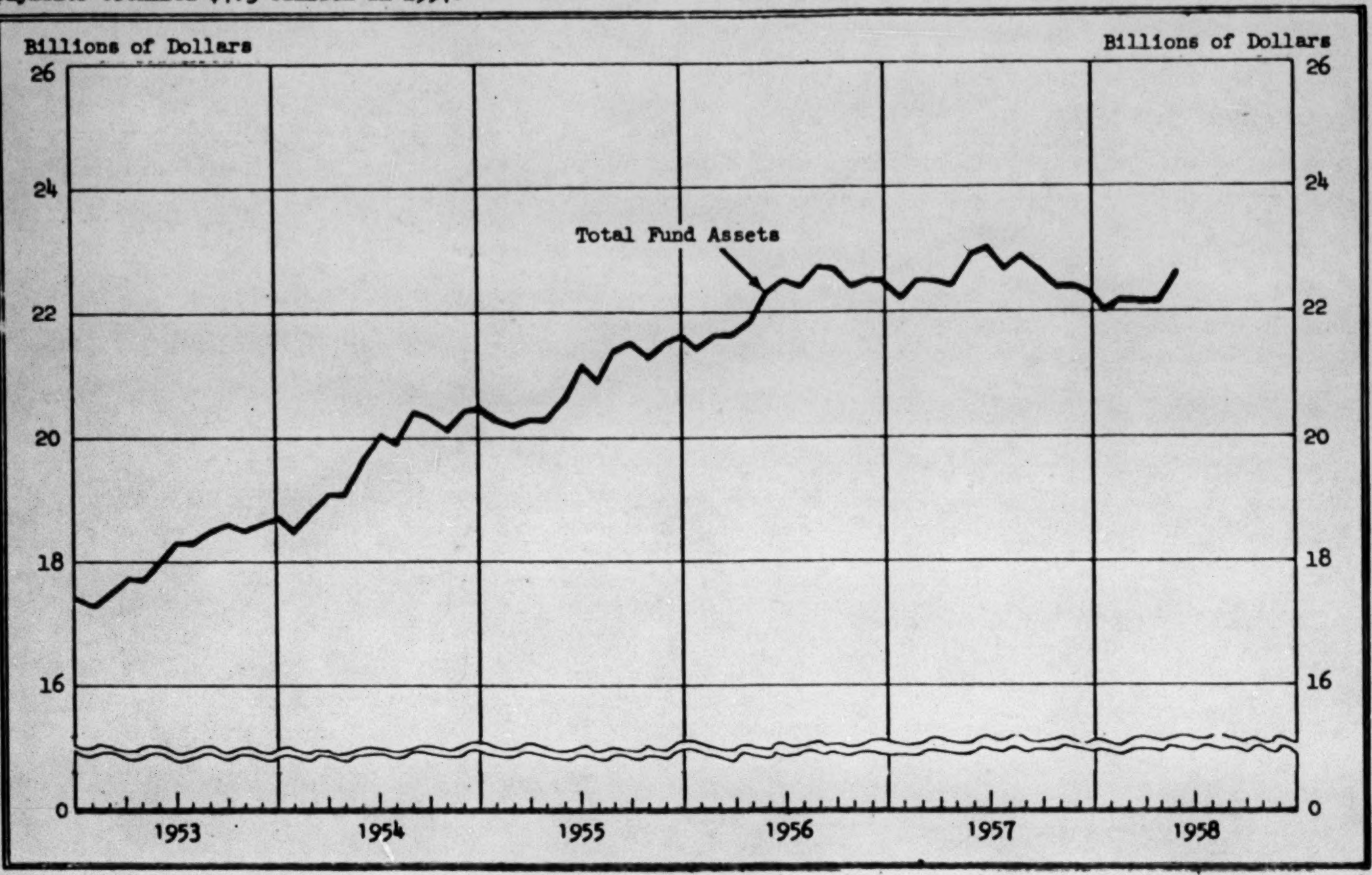
Period	Total monthly amount 1/ (in millions of dollars)	Average monthly benefit payment						
		Type of benefit		Family group				
				Retired worker alone		Worker and aged wife	Aged widow	Widowed mother and two children
		Old-age	Disability	Male	Female			
1940	4.1	22.60	-	22.80	18.40	36.40	20.30	47.10
1949	56.1	26.00	-	26.50	20.60	41.40	20.80	50.40
1950	126.9	43.86	-	44.60	34.80	71.70	36.50	93.90
1951	154.8	42.14	-	43.20	33.00	70.20	36.00	93.80
1952	205.2	49.25	-	50.70	39.10	81.60	40.70	106.90
1953	253.8	51.10	-	52.90	40.60	85.00	40.90	111.00
1954	339.3	59.14	-	61.60	47.00	99.10	46.30	130.50
1955	411.6	61.90	-	64.60	49.80	103.50	48.70	135.40
1956	482.6	63.09	-	66.10	51.10	105.90	50.10	141.00
1957								
1957								
January	490.3	63.14	-	-	-	-	-	-
February	498.4	63.32	-	-	-	-	-	-
March	512.0	63.57	-	-	-	-	-	-
April	530.7	63.79	-	-	-	-	-	-
May	544.9	63.91	-	-	-	-	-	-
June	554.6	63.99	-	67.70	52.30	107.80	50.70	144.60
July	569.6	64.10	74.05	-	-	-	-	-
August ...	576.8	64.22	72.12	-	-	-	-	-
September	584.0	64.31	72.24	-	-	-	-	-
October	592.2	64.41	72.24	-	-	-	-	-
November	598.7	64.48	72.47	-	-	-	-	-
December	605.5	64.58	72.76	-	-	-	-	-
1958								
January	611.2	64.73	73.04	-	-	-	-	-
February	619.8	64.97	73.39	-	-	-	-	-
March	629.4	65.17	73.70	-	-	-	-	-
April	641.0	65.41	74.00	-	-	-	-	-
May	649.7	65.54	74.22	-	-	-	-	-
June								

1/ The "total monthly amount" is the total of the monthly benefit rate for each beneficiary. It differs from the "benefit payments" shown in the tables on the Old Age and Survivors and Disability Trust Funds primarily because "benefit payments" include (1) some retroactive benefit payments for prior months and (2) lump sum payments.

Source: Social Security Administration

OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

Assets of the Old-Age and Survivors Insurance Trust Fund were $22.6 billion at the end of May. OASI benefit payments totalled $7.3 billion in 1957.



(In millions of dollars)

Period	Income: Tax Contributions [1]	Income: Interest [2]	Disbursements: Benefit payments	Disbursements: Administrative expenses	Net change in fund	Fund at end of period [3]
1940	325.0	42.9	35.4	26.2	306.3	2,030.7
1949	1,670.0	145.7	667.2	54.3	1,094.2	11,815.9
1950	2,670.8	257.0	961.1	61.3	1,905.3	13,721.3
1951	3,367.2	417.3	1,885.2	80.8	1,818.5	15,539.7
1952	3,818.9	365.2	2,194.1	88.0	1,902.0	17,441.7
1953	3,945.1	414.2	3,006.3	87.7	1,265.2	18,707.0
1954	5,163,3	467.9	3,670.2	92.2	1,868.8	20,575.8
1955	5,713.0	461.1	4,968.2	118.6	1.087.3	21,663.1
1956	6,171.9	530.8	5,714.6	132.0	856.1	22,519.2
1957	6,825.4	557.2	7,347.3	161.5 [4]	-126.3	22,392.9
1957						
January	291.3	1.2	527.2	11.0	-245.8	22,273.4
February	775.3	3.9	535.4	12.8	230.9	22,504.3
March	572.3	15.0	574.6	13.0	-.4	22,503.9
April	632.9	20.5	646.7	17.2	-10.5	22,493.4
May	1,141.2	8.1	648.2	12.4	488.8	22,982.2
June	471.1	228.5	640.0	12.8	46.8	23.028.9
July	365.8	1.4	625.7	13.9	-272.3	22,756.6
August	829.1	7.8	608.5	11.6	216.8	22,973.4
September	433.6	15.4	626.8	13.4	-191.1	22,782.2
October	341.4	20.3	640.3	17.3	-295.9	22,486.3
November	626.4	8.6	636.1	13.3	-14.4	22,471.9
December	345.1	226.4	637.7	12.8	-79.0	22,392.9
1958						
January	267.7	1.4	632.6	15.2	-378.8	22,014.1
February	886.6	11.0	654.7	13.8	229.1	22,243.1
March	598.2	15.8	680.7	16.0	-82.7	22,160.5
April	747.1	21.4	710.5	18.9	39.1	22,199.6
May	1,128.4	9.7	710.2	13.8	414.2	22,613.8
June						

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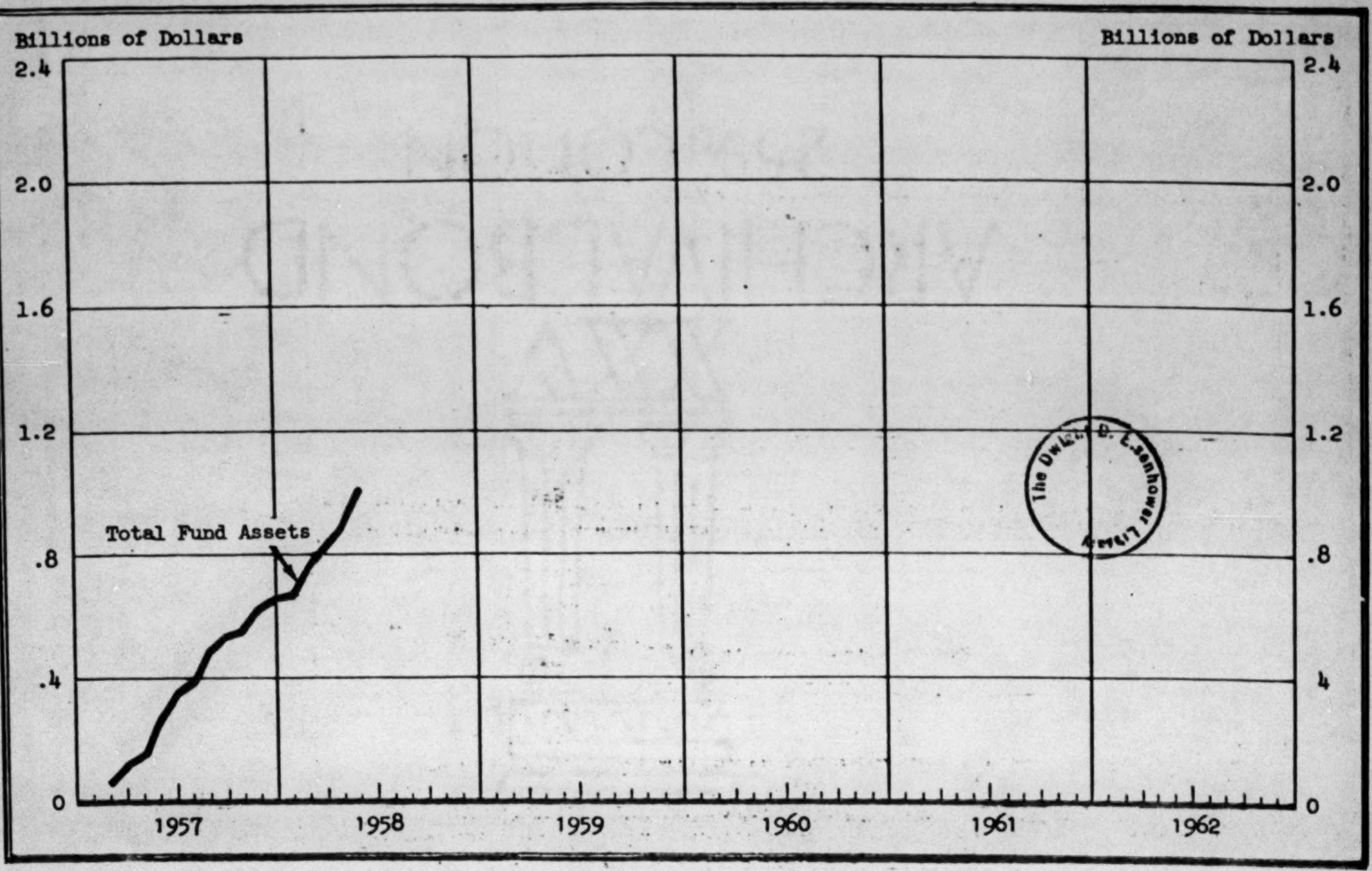
[1] Includes adjustment for (1) refunds of contributions beginning in 1952; and (2) transfers during calendar years 1947-51 from general funds equivalent to additional payments arising from the extension of survivors insurance protection to certain veterans of World War II (Social Security Act Amendments of 1946). [2] Includes interest on amounts held in the railroad retirement account to the credit of the fund. [3] Assets of the fund exclude amounts determined under the financial interchange provision of the Railroad Retirement Act, as amended in 1951, and held in the railroad retirement account to the credit of the fund. [4] Administrative charges against the Old Age and Survivors Insurance Trust Fund during the calendar year 1957 include costs incurred by the Department of Health, Education, and Welfare under the disability insurance program. The Disability Insurance Trust Fund will reimburse the Old Age and Survivors Insurance Trust Fund for these costs.

Source: Social Security Administration

DISABILITY INSURANCE TRUST FUND

Assets of the Disability Insurance Trust Fund totalled $1,026 million at the end of May. Disability benefit payments were $19.4 million in May.



(In millions of dollars)

Period [1]	Income		Disbursements		Net increase in fund	Fund at end of period
	Tax Contributions	Interest	Benefit payments	Administrative expenses		
1957						
January	-	-	-	-	-	-
February	52.1	-	-	.4	51.6	51.6
March	65.8	-	-	.2	65.6	117.2
April	31.2	-	-	.2	31.0	148.3
May	122.3	-	-	.2	122.1	270.4
June	65.7	1.4	-	.2	66.8	337.2
July	38.8	-	-	.2	38.5	375.8
August	112.7	-	8.5	.2	104.0	479.7
September	54.9	.2	9.3	.2	45.5	525.2
October	34.8	.1	11.4	.2	23.3	548.5
November	80.4	.2	13.1	.2	67.3	615.8
December	42.8	5.3	14.3	.2	33.5	649.3
1958						
January	36.2	-	15.7	.3	20.2	669.6
February	119.4	.3	18.0	.3	101.4	771.0
March	75.0	.2	19.2	.3	55.7	826.7
April	83.3	.4	20.2	.2	63.3	890.0
May	154.8	.6	19.4	.2	135.8	1,025.7
June						
July						
August						
September						

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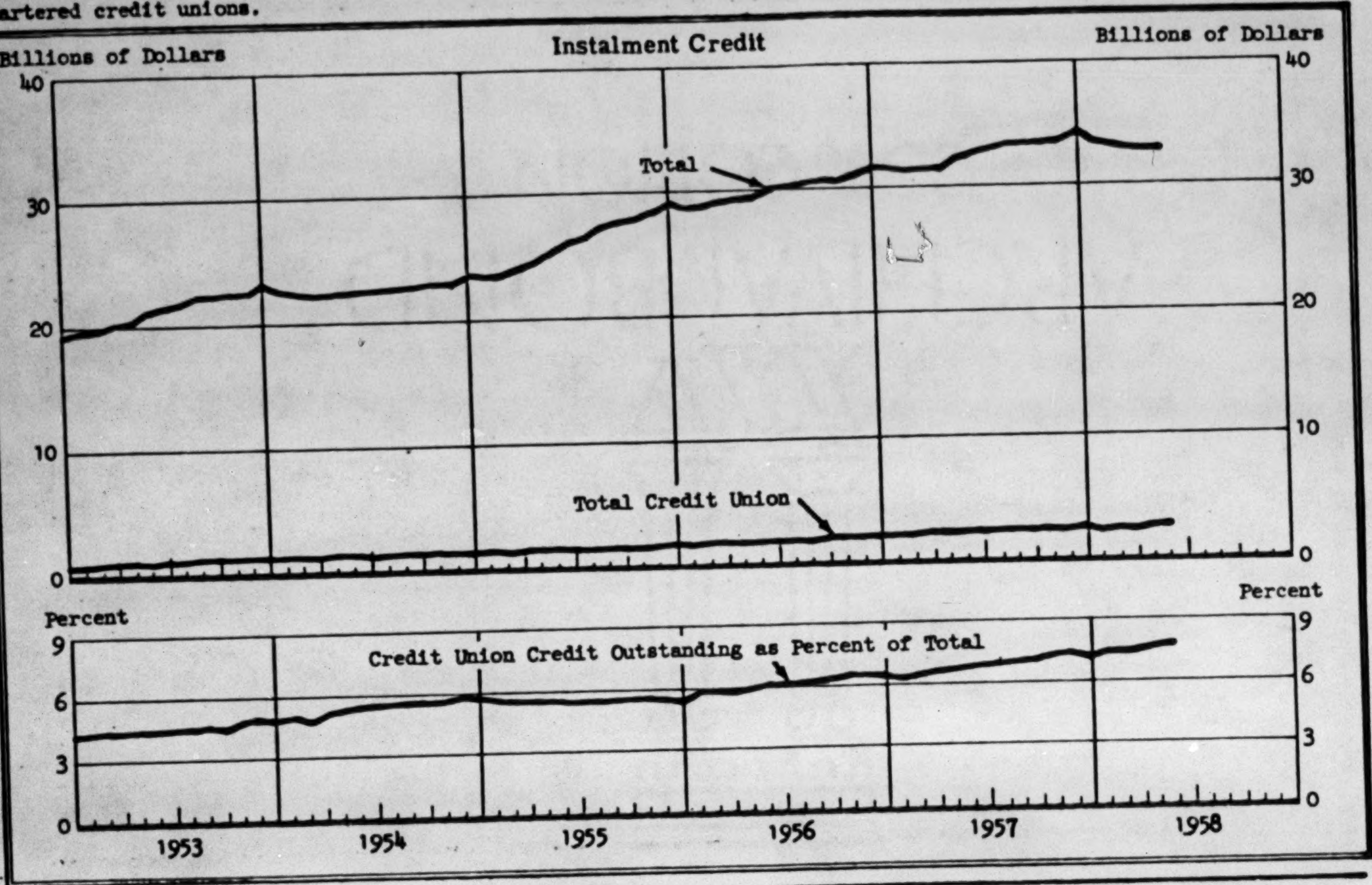
[1] The Federal Disability Insurance Trust Fund was created by the Social Security Amendments of 1956. Contributions became payable starting in 1957. Benefit disbursements were first made in August for July, 1957.

Source: Social Security Administration

CONSUMER CREDIT

Total instalment credit was nearly $33.0 billion in May, with instalment credit held by Credit Unions totalling about $2.5 billion. Of the total outstanding instalment credit, 7.7 percent was held by State- and Federally-chartered credit unions.



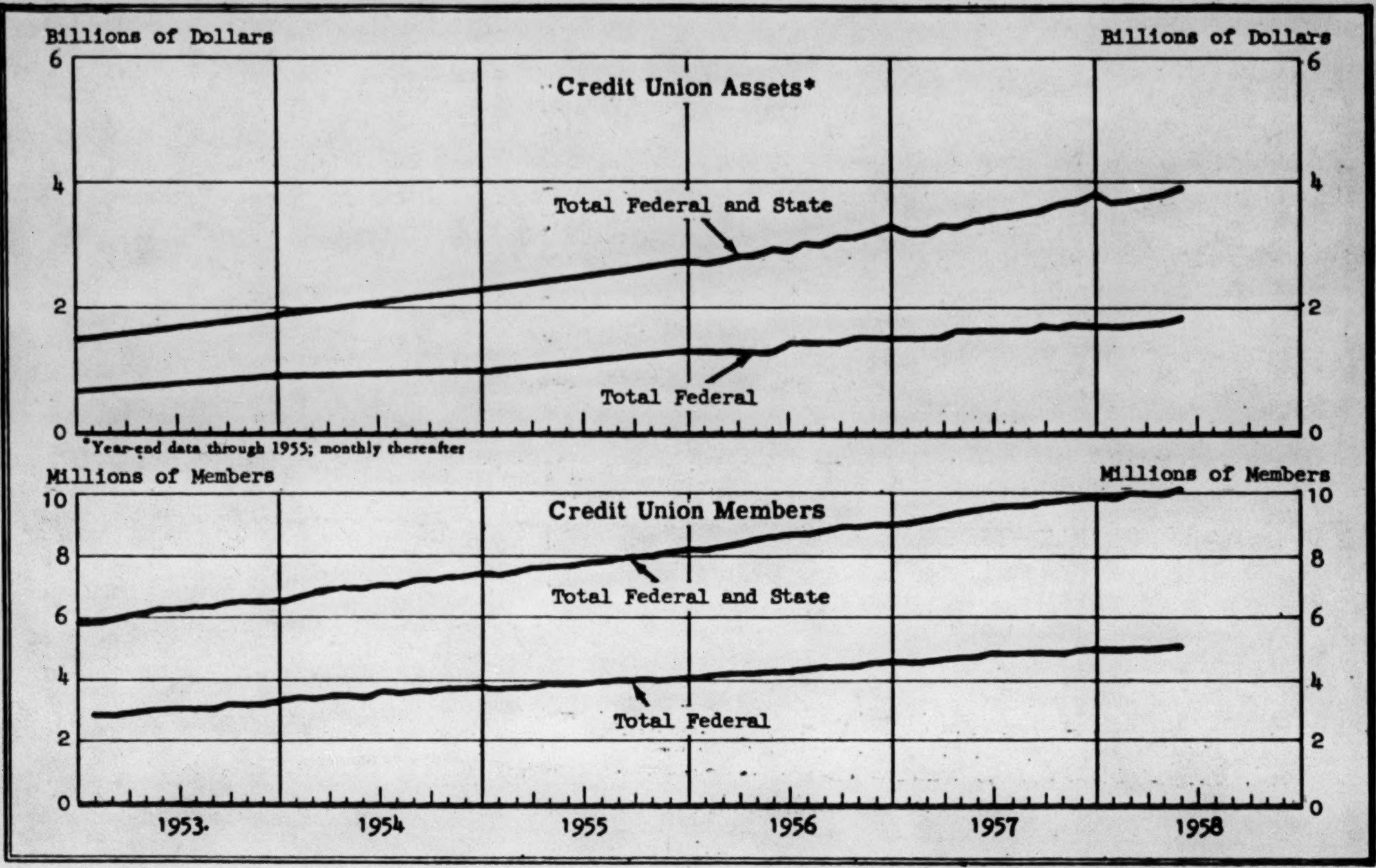
Period	Total consumer credit 1/	Non-instalment credit 2/	Instalment credit 3/	Instalment credit held by Credit Unions: Federally chartered	State chartered	Total	Percent of outstanding instalment credit
1940	8,338	2,824	5,514	52	119	171	3.1
1949	17,305	5,715	11,590	180	258	438	3.8
1950	21,395	6,692	14,703	252	338	590	4.0
1951	22,617	7,323	15,294	285	350	635	4.2
1952	27,401	7,998	19,403	395	442	837	4.3
1953	31,243	8,238	23,005	549	575	1,124	4.9
1954	32,292	8,724	23,568	652	690	1,342	5.7
1955	38,648	9,628	29,020	827	851	1,678	5.8
1956	42,097	10,270	31,827	1,004	1,010	2,014	6.4
1957	44,798	10,671	34,127	1,222	1,250	2,472	7.2
1957							
January	41,138	9,570	31,568	1,001	1,010	2,011	6.4
February	40,738	9,250	31,488	1,014	1,025	2,039	6.5
March	40,735	9,211	31,524	1,026	1,050	2,076	6.6
April	41,247	9,461	31,786	1,050	1,077	2,127	6.7
May	41,937	9,779	32,158	1,068	1,099	2,167	6.7
June	42,491	9,883	32,608	1,093	1,134	2,227	6.8
July	42,592	9,624	32,968	1,121	1,163	2,284	6.9
August	43,133	9,830	33,303	1,150	1,194	2,344	7.0
September	43,270	9,855	33,415	1,161	1,216	2,377	7.1
October	43,274	9,770	33,504	1,181	1,234	2,415	7.2
November	43,530	9,934	33,596	1,204	1,235	2,439	7.3
December	44,798	10,671	34,127	1,222	1,250	2,472	7.2
1958							
January	43,966	10,229	33,737	1,206	1,240	2,446	7.3
February	43,043	9,741	33,302	1,202	1,249	2,451	7.4
March	45,562	9,579	32,983	1,207	1,254	2,461	7.5
April	42,665	9,733	32,932	1,224	1,282	2,506	7.6
May	43,027	10,070	32,957	1,236	1,295	2,531	7.7
June							

1/ Consumer credit does not include mortgage loans on real estate. 2/ Includes charge accounts, single payment loans, and service credits. 3/ Includes automobile paper, other consumer goods paper, repair and modernization loans, and personal loans.

Source: Federal Reserve Board and Social Security Administration

CREDIT UNIONS: NUMBERS, MEMBERS, AND ASSETS

In May there were 18,352 credit unions in operation, with a membership totalling 10.2 million. Total credit union assets were $3.9 billion at the end of May.

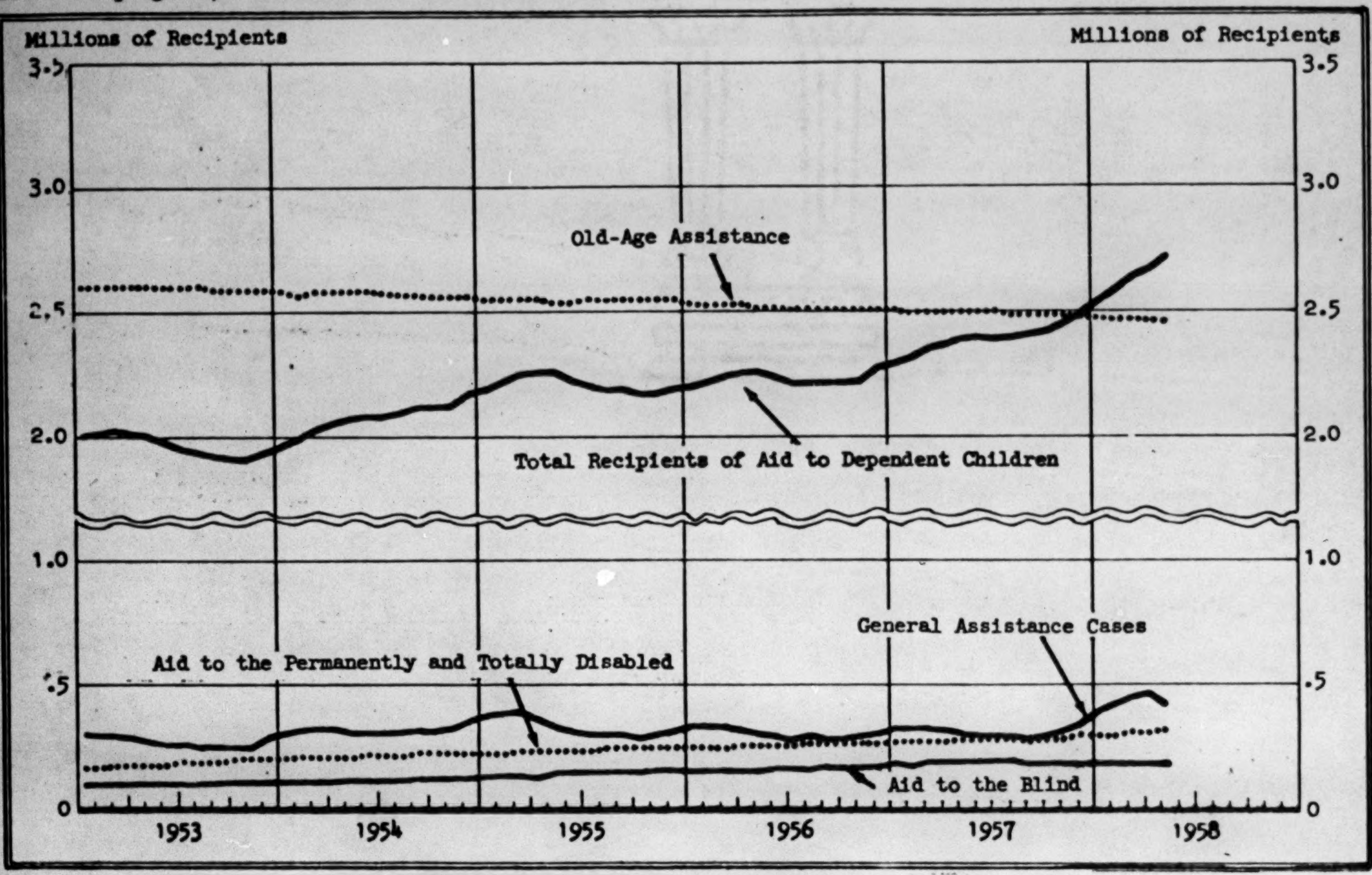


Period	Number of credit unions in operation			Members (in millions)			Assets (in millions of dollars)		
	Total	Federally chartered	State chartered	Total	Federally chartered	State chartered	Total	Federally chartered	State chartered
1940	9,023	3,756	5,267	2.8	1.1	1.7	253	73	181
1949	9,922	4,495	5,427	4.1	1.8	2.3	827	316	511
1950	10,586	4,984	5,602	4.6	2.1	2.5	1,005	406	599
1951	11,279	5,398	5,881	5.2	2.5	2.7	1,198	505	694
1952	12,287	5,925	6,362	5.9	2.9	3.0	1,516	662	854
1953	13,674	6,578	7,096	6.6	3.3	3.4	1,895	854	1,041
1954	15,041	7,227	7,814	7.4	3.6	3.8	2,270	1,033	1,237
1955	16,193	7,806	8,387	8.2	4.0	4.1	2,743	1,267	1,476
1956	17,251	8,350	8,901	9.1	4.5	4.5	3,271	1,529	1,742
1957	18,035	8,735	9,300	9.9	4.9	5.0	3,810	1,789	2,021
1957									
January ..	17,314	8,358	8,956	9.1	4.5	4.6	3,220	1,508	1,712
February .	17,354	8,378	8,976	9.2	4.5	4.6	3,244	1,521	1,723
March	17,457	8,428	9,029	9.3	4.6	4.7	3,288	1,544	1,744
April	17,590	8,493	9,097	9.4	4.7	4.7	3,303	1,553	1,750
May	17,698	8,550	9,148	9.5	4.7	4.8	3,364	1,584	1,780
June	17,765	8,592	9,173	9.6	4.8	4.8	3,468	1,628	1,840
July	17,829	8,614	9,215	9.6	4.8	4.8	3,472	1,630	1,842
August ...	17,886	8,642	9,244	9.6	4.8	4.8	3,523	1,654	1,869
September	17,926	8,666	9,260	9.7	4.8	4.9	3,593	1,687	1,906
October ..	17,976	8,690	9,286	9.8	4.8	4.9	3,672	1,724	1,948
November .	18,021	8,712	9,309	9.8	4.9	4.9	3,732	1,752	1,980
December .	18,035	8,735	9,300	9.9	4.9	5.0	3,810	1,789	2,021
1958									
January ..	18,133	8,767	9,366	9.9	4.9	5.0	3,740	1,764	1,976
February .	18,180	8,790	9,390	10.0	4.9	5.1	3,757	1,772	1,985
March	18,211	8,805	9,406	10.0	4.9	5.0	3,795	1,790	2,005
April	18,272	8,835	9,437	10.0	5.0	5.1	3,810	1,797	2,013
May	18,352	8,874	9,478	10.2	5.0	5.2	3,901	1,840	2,061
June									

Source: Social Security Administration

PUBLIC ASSISTANCE: RECIPIENTS

General assistance cases numbered 432,000 in May, a decrease for the first time in eight months. Recipients of Aid to Dependent Children rose again in May, but at a lower rate than in April. Recipients of Aid to the Permanently and Totally Disabled have continued to increase, partly because of continued growth under relatively new State programs, such as in Texas and California.



(Recipient totals are in thousands)[1]

Period	Old-age assistance		Aid to dependent children			APTD[6]		Aid to the blind	General assistance (cases)
	Total[2]	Rate[3]	Total[4]	Children Total	Children Rate[5]	Total	Rate[7]		
1940: December	2,066	228	-	891	22	-	-	73	1,239
1949: December	2,736	227	-	1,521	32	-	-	93	562
1950: December	2,789	225	2,234	1,662	34	69	-	98	413
1951: December	2,708	212	2,044	1,524	30	127	-	97	323
1952: December	2,646	201	1,992	1,495	28	164	-	99	280
1953: December	2,591	192	1,942	1,464	27	195	-	100	270
1954: December	2,565	185	2,174	1,640	29	224	-	102	351
1955: December	2,553	180	2,193	1,661	29	244	-	105	314
1956: December	2,514	173	2,271	1,732	29	269	-[8]	107	305
1957: December	2,487	165	2,498	1,913	31	291	3.2	108	344
1957									
April	2,508	-	2,376	1,814	-	279	-	108	325
May	2,506	-	2,393	1,827	-	282	-[8]	108	309
June	2,504	168	2,399	1,832	30	284	3.6	108	294
July	2,501	-	2,391	1,827	-	286	-	109	290
August	2,498	-	2,399	1,833	-	286	-	109	291
September	2,494	-	2,414	1,846	-	286	-	108	288
October	2,496	-	2,433	1,862	-	287	-	108	298
November	2,491	-	2,457	1,880	-	289	-	108	312
December	2,487	165	2,498	1,913	31	291	3.2[8]	108	344
1958									
January	2,481	-	2,541	1,946	-	293	-	108	392
February	2,475	-	2,588	1,982	-	296	-	108	422
March	2,470	-	2,642	2,024	-	300	-	108	450
April	2,466	-	2,688	2,058	-	305	-	108	454
May	2,464	-	2,721	2,083	-	310	-	108	432
June									

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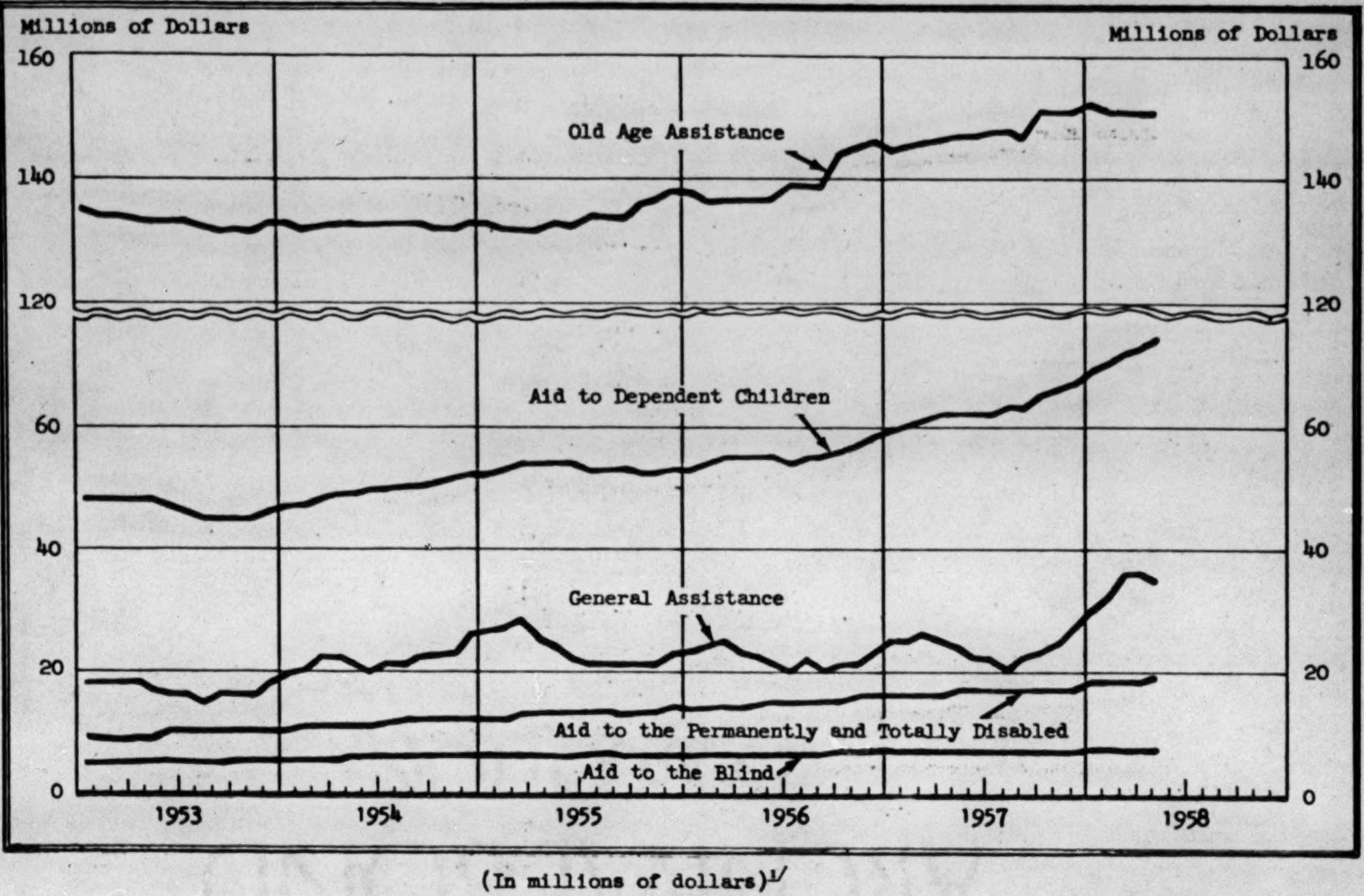
[1] Beginning with December 1950, except for general assistance, data include cases receiving only vendor payments for medical care. [2] Includes a small number of recipients age 60-64 to whom or in whose behalf payments are made with out Federal participation. [3] Per 1,000 population age 65 and over; based on data excluding recipients age 60-64. [4] Includes children and one parent or other adult relative in families in which the requirements of at least one such adult were considered in determining the amount of assistance. Beginning October 1950, Federal funds were available for payments to these adults under the 1950 amendments.
[5] Per 1,000 population under 18 years of age. [6] The program of aid to the permanently and totally disabled (APTD) was initiated in October 1950. [7] Per 1,000 population aged 18-64. [8] Rate for 46 States with programs in operation in June; 48 States in December.

Source: Social Security Administration

PUBLIC ASSISTANCE: TOTAL PAYMENTS TO RECIPIENTS

Payments to public assistance recipients totalled $286 million in May. This total included Old-Age Assistance payments of $151 million and $74 million in payments to recipients of Aid to Dependent Children.



(In millions of dollars)[1]

Period [2]	Total	Old-age assistance	Aid to dependent children	Aid to the blind	APTD [3]	General assistance	Total payments by source of funds: Federal	State	Local
1941	1,011	505	146	22	-	338	315	464	232
1950	2,329	1,438	520	51	-	319	1,039	1,060	230
1951	2,409	1,473	568	54	33	282	1,122	1,024	263
1952	2,393	1,488	547	58	75	224	1,134	997	262
1953	2,524	1,581	562	64	104	212	1,277	986	261
1954	2,563	1,590	561	67	126	220	1,320	961	283
1955	2,712	1,590	621	69	147	286	1,350	1,031	332
1956	2,782	1,634	639	73	165	270	1,366	1,077	338
1957	2,969	1,723	700	81	189	276	1,505	1,117	347
1957									
January	252	145	59	7	16	25	-	-	-
February	254	146	60	7	16	25	-	-	-
March ...	256	146	61	7	16	26	-	-	-
April ...	257	147	62	7	16	25	-	-	-
May	257	147	62	7	17	24	-	-	-
June	255	147	62	7	17	22	-	-	-
July	256	148	62	7	17	22	-	-	-
August ..	257	148	63	7	17	20	-	-	-
September	257	147	63	7	17	22	-	-	-
October	264	151	65	7	17	23	-	-	-
November	265	151	66	7	17	24	-	-	-
December	270	151	67	7	17	27	-	-	-
1958									
January	275	152	69	7	18	30	-	-	-
February	278	151	70	7	18	32	-	-	-
March ...	284	151	72	7	18	36	-	-	-
April ...	285	151	73	7	18	36	-	-	-
May	286	151	74	7	19	35	-	-	-
June									

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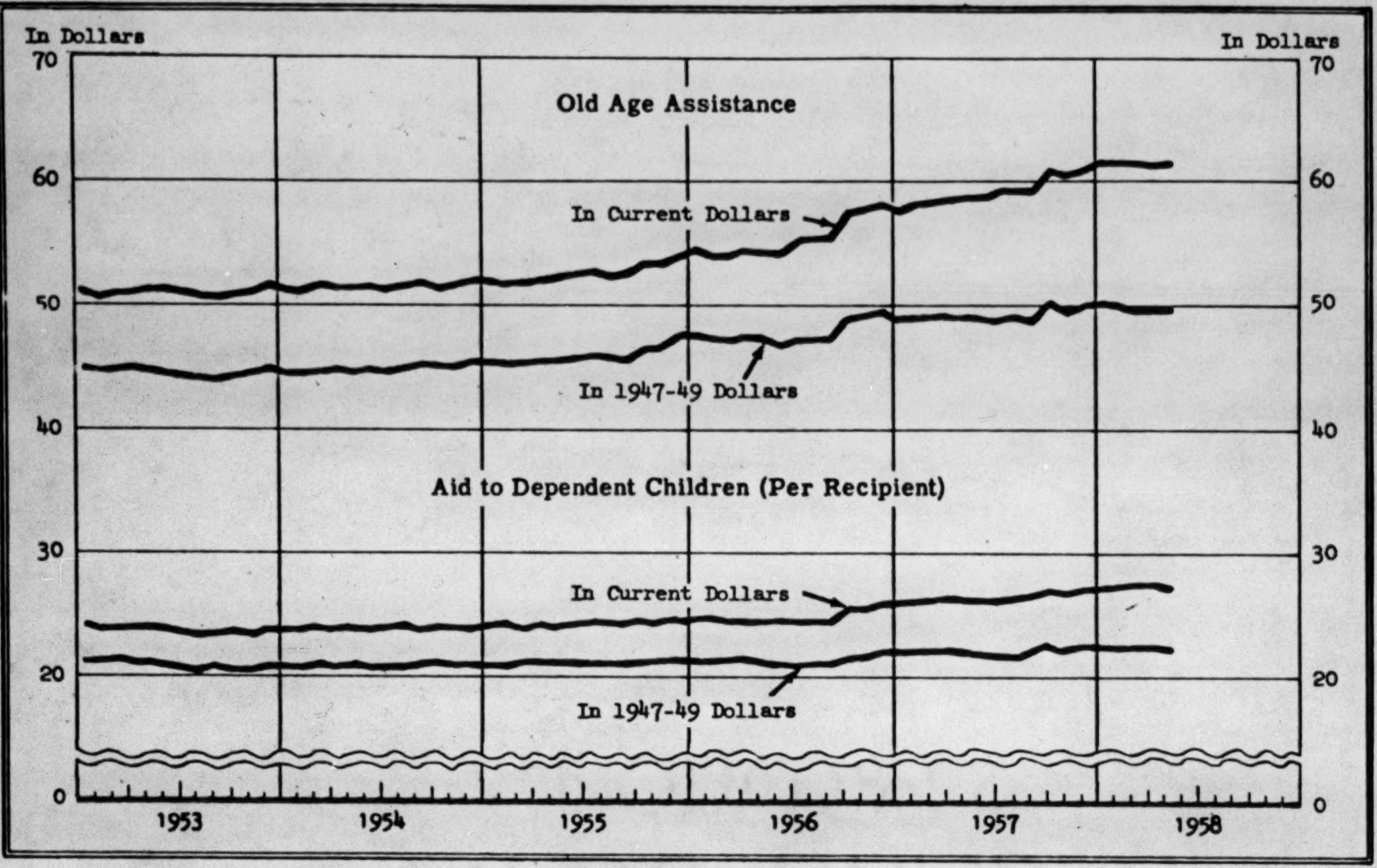
[1] Beginning with fiscal year 1950-51, data include vendor payments for medical care. [2] Annual data are on a fiscal year basis. [3] The program of Aid to the Permanently and Totally Disabled (APTD) was initiated in October 1950.

Source: Social Security Administration

PUBLIC ASSISTANCE: AVERAGE MONTHLY PAYMENTS

Average monthly payments for Old-Age Assistance increased in May to $61.41; average general assistance payments also increased to $61.24. Average monthly payments under the other three programs decreased slightly.



(In dollars) 1/

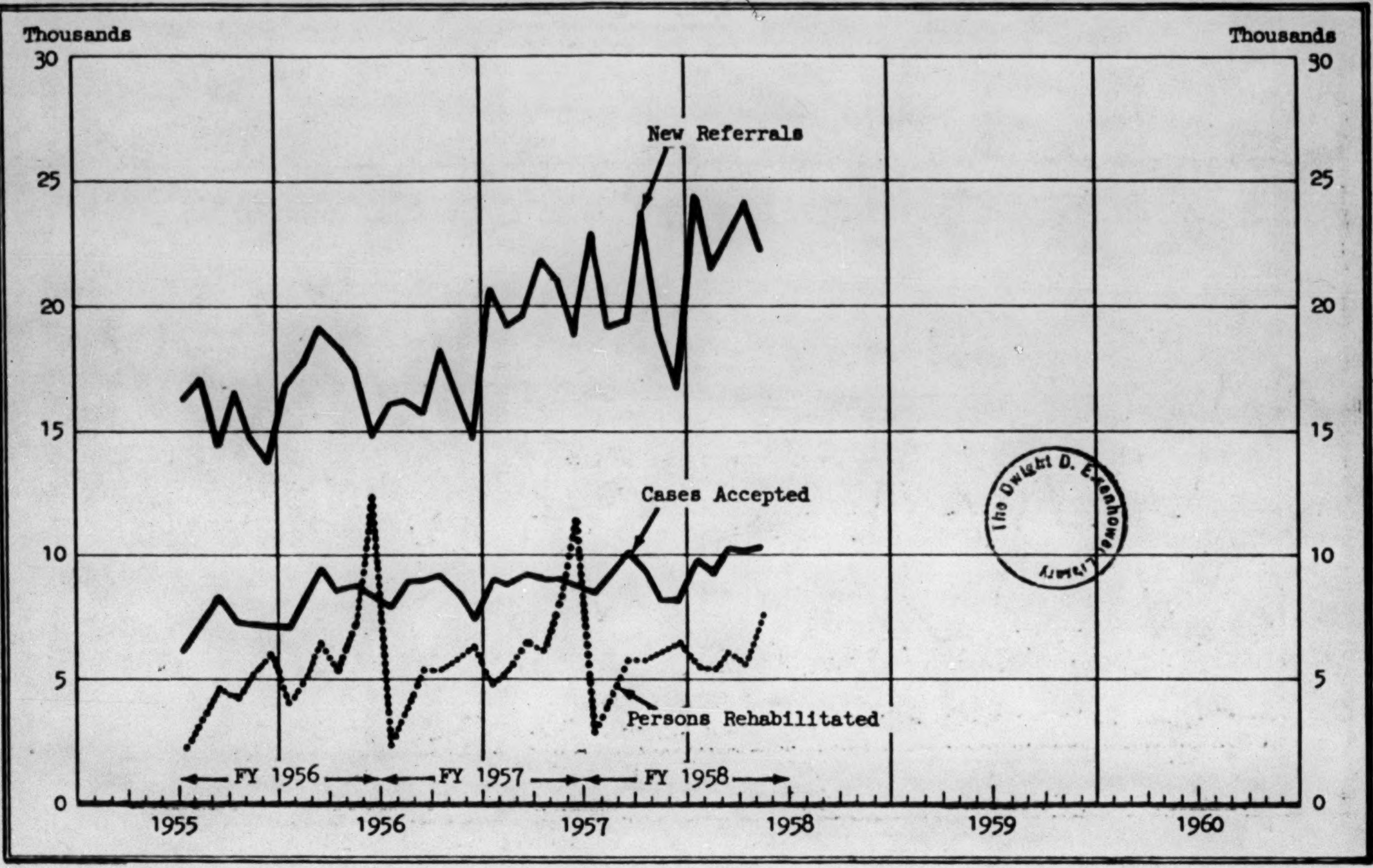
Period	Old-age assistance		ADC per recipient 2/		Aid to the blind	APTD 3/	General assistance (per case)
	In current dollars	In 1947-49 dollars	In current dollars	In 1947-49 dollars			
1940: December ...	20.26	33.65	-	-	25.38	-	24.28
1949: December ...	44.76	44.32	-	-	46.11	-	50.47
1950: December ...	43.95	41.11	21.13	19.77	46.56	45.41	46.65
1951: December ...	46.00	40.67	22.36	19.77	49.05	49.46	47.09
1952: December ...	50.90	44.61	23.98	21.02	54.91	53.50	49.82
1953: December ...	51.50	44.82	23.77	20.69	55.67	53.44	50.53
1954: December ...	51.90	45.41	23.96	20.96	56.37	54.93	57.29
1955: December ...	53.93	47.02	24.35	21.23	58.08	56.18	55.03
1956: December ...	57.99	49.14	25.79	21.86	63.12	58.83	56.12
1957: December ...	60.68	49.90	26.90	22.12	66.25	60.02	59.74
1957							
April	58.44	48.99	26.23	21.99	63.48	58.87	56.99
May	58.56	48.96	26.11	21.83	63.82	59.24	56.15
June	58.66	48.80	26.04	21.66	63.87	59.10	54.90
July	59.01	48.85	26.08	21.59	64.32	59.45	55.78
August	59.19	48.92	26.10	21.57	64.28	59.34	55.83
September	59.10	48.80	26.24	21.67	64.02	59.95	55.96
October	60.67	50.10	26.80	22.13	66.21	59.53	57.66
November	60.46	49.72	26.74	21.99	65.98	59.86	57.21
December	60.68	49.90	26.90	22.12	66.25	60.02	59.74
1958							
January	61.09	49.95	27.00	22.08	66.41	60.46	60.22
February	61.08	49.86	27.05	22.08	66.54	60.57	59.71
March	61.30	49.72	27.26	22.11	66.70	60.69	61.23
April	61.24	49.59	27.33	22.13	66.65	60.61	61.12
May	61.41	49.68	27.29	22.08	66.55	60.43	61.24
June							

1/ All figures in this table are average monthly payments in current dollars except for old age assistance and aid to dependent children, which are shown both in current dollars and in 1947-49 dollars. The effect of price changes on other types of public assistance payments is similar to that on old age assistance and aid to dependent children. Beginning with December 1950, except for general assistance, data include vendor payments for medical care. 2/ Based on data including children and one parent or other adult relative in families in which the requirements of at least one such adult were considered in determining the amount of assistance. Beginning October 1950, Federal funds were available for payments to these adults under the 1950 amendments. 3/ The program of aid to the permanently and totally disabled (APTD) was initiated in October 1950.

Source: Social Security Administration

VOCATIONAL REHABILITATION

Disabled persons rehabilitated in May totalled 7,645. New referrals were 22,340 and cases accepted 10,312. For the first 11 months of FY 1958 rehabilitations were 3 percent above the first 11 months of FY 1957. Rehabilitated persons awaiting employment decreased slightly to 17,817, but remained 20 percent over March 1957.



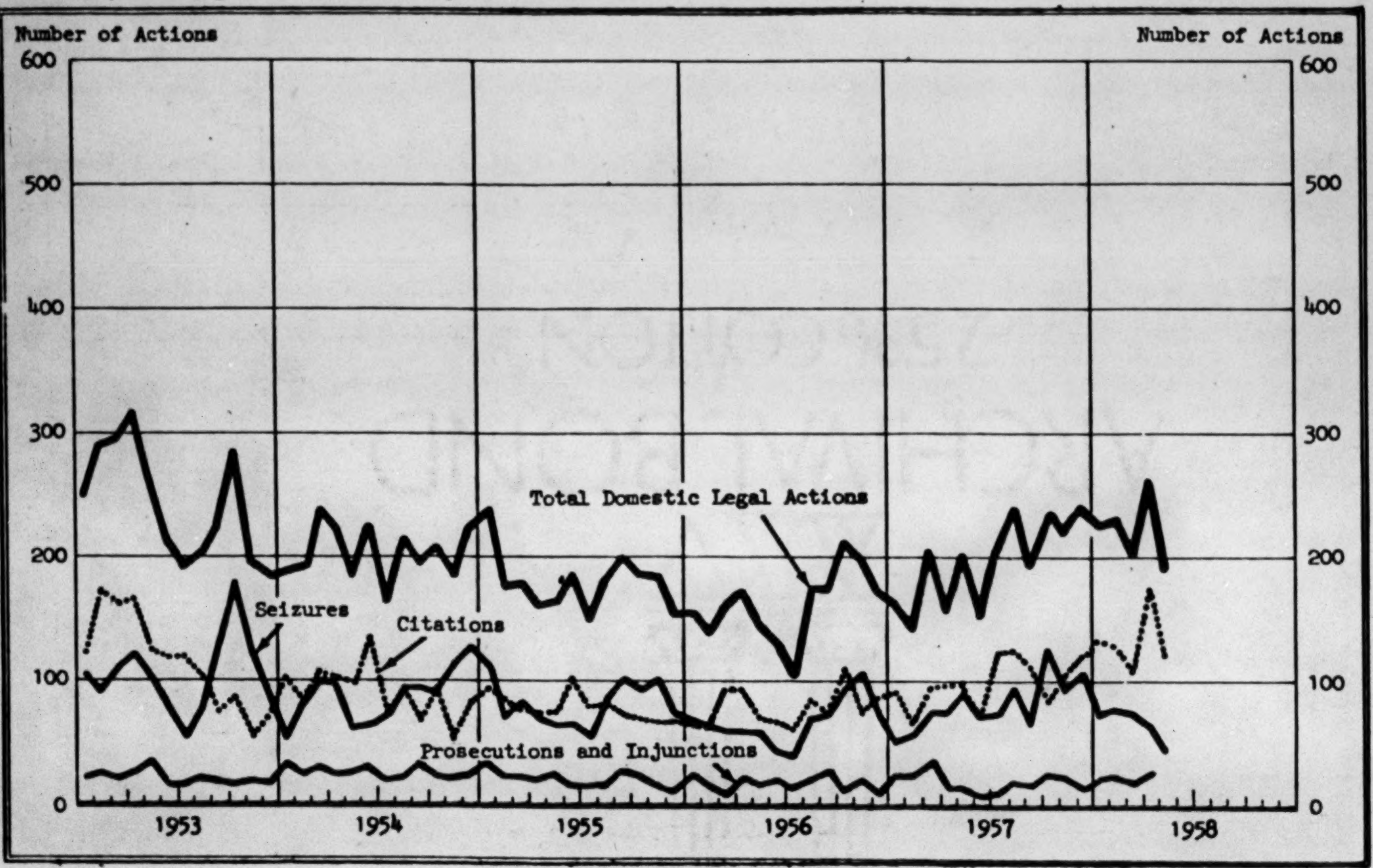
Period 1/	Number during period						Active cases at close of period	
	New referrals	Cases accepted	Plans completed 2/	Cases served	Cases closed		Total number	Ready for employment
					Rehabilitated	Other reasons 3/		
1940	-	18,874	-	65,624	11,890	6,560	47,174	6,570
1949	158,364	99,202	-	216,997	58,020	25,262	133,715	10,983
1950	154,819	92,009	-	225,724	59,597	25,186	140,941	13,375
1951	153,295	90,603	-	231,544	66,193	25,783	139,568	12,948
1952	154,470	88,922	-	228,481	63,632	27,397	137,452	12,242
1953	153,969	84,397	-	221,848	61,308	27,366	133,174	11,858
1954	145,289	78,045	-	211,222	55,825	28,627	126,770	-
1955	176,067	82,269	-	209,030	57,981	23,476	127,573	-
1956	197,040	93,555	77,630	221,156	65,640	21,059	134,457	13,337
1957	218,638	104,125	84,622	238,592	70,940	23,063	144,589	15,561
April	21,794	9,029	6,896	-	6,138		152,348	15,415
May	21,178	9,021	6,905	-	7,999	8,971	150,838	14,804
June	18,803	8,741	6,292	-	11,370		144,589	15,561
July	22,893	8,509	7,391	-	2,833		148,682	15,814
August	19,153	9,284	9,156	-	4,364	4,734	152,114	15,890
September .	19,419	10,122	9,284	-	5,750		154,822	16,299
October ...	23,660	9,436	7,956	-	5,672		156,630	16,158
November ..	18,994	8,134	6,480	-	6,039	5,733	157,098	15,976
December ..	16,865	8,127	6,572	-	6,395		156,680	16,555
1958								
January ...	24,412	9,842	8,068	-	5,471		158,828	16,724
February ..	21,590	9,293	7,339	-	5,353		160,840	17,198
March	22,783	10,355	7,855	-	6,160	16,944	162,708	17,889
April	24,255	10,253	8,409	-	5,712	-	165,355	17,902
May	22,340	10,312	8,063	-	7,645	-	165,440	17,817
June								

1/ Annual data are on a fiscal year basis; monthly data are for the calendar year designated. 2/ New individual rehabilitation plans developed for clients.
3/ Closed before or after a rehabilitation plan was initiated because services declined or not needed, migration of individuals, illness, aggravated disability, personal factors, etc.

Source: Office of Vocational Rehabilitation

FOOD AND DRUG ADMINISTRATION: LEGAL ACTIONS INITIATED

Domestic legal actions initiated by the Food and Drug Administration totalled 190 in May--44 seizures, 123 citations, and 23 prosecutions and injunctions.

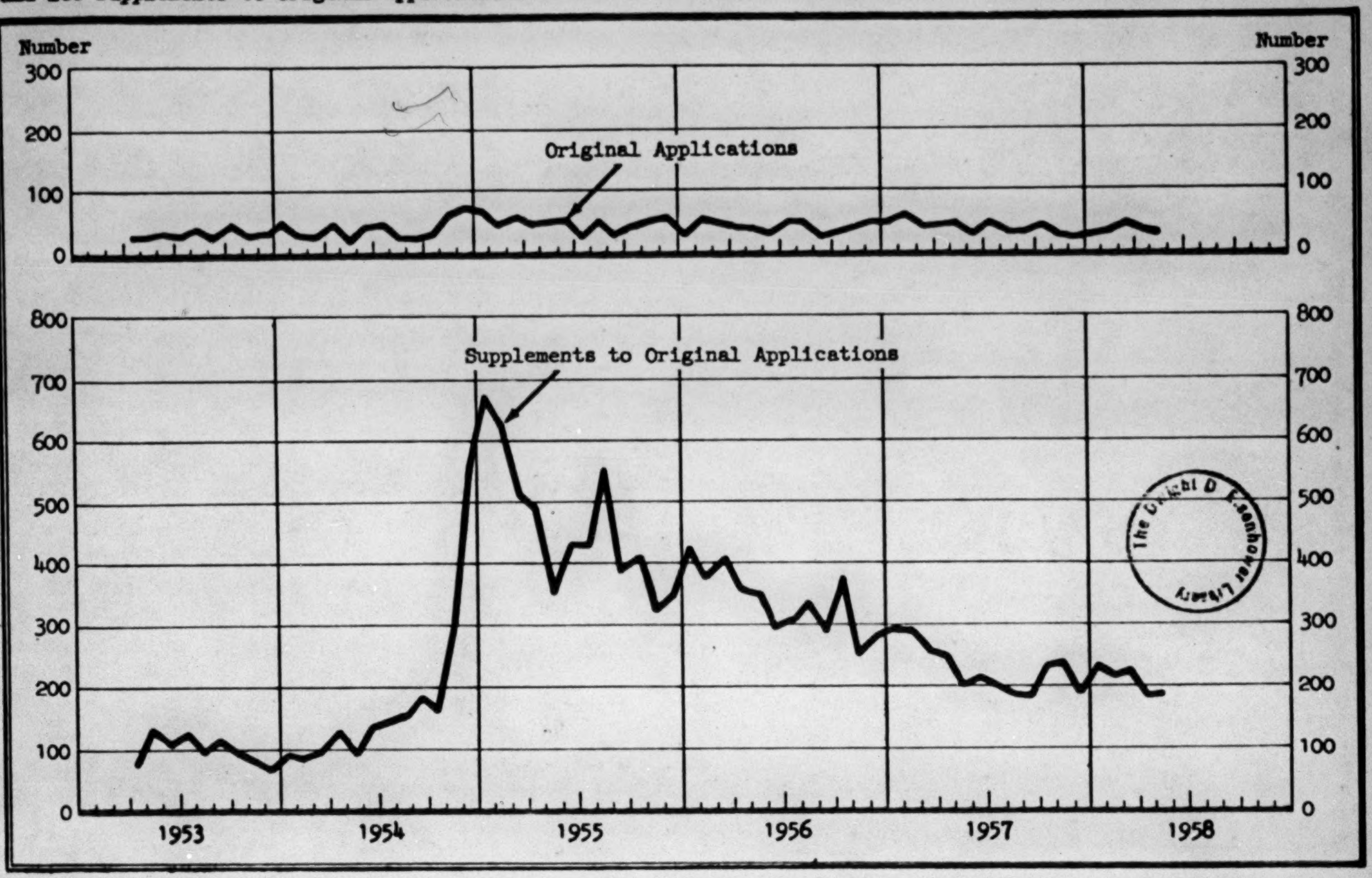


Period	Legal actions initiated by Food and Drug Administration				
	Total domestic actions	Seizures	Citations	Prosecutions and injunctions	Import detentions
1940	3,969	1,991	1,767	211	2,804
1949	3,405	1,821	1,214	370	5,716
1950	2,796	1,289	1,131	376	6,862
1951	3,069	1,578	1,164	327	5,784
1952	3,561	1,676	1,546	339	4,788
1953	2,910	1,272	1,381	257	5,780
1954	2,456	1,056	1,101	299	5,082
1955	2,158	972	939	247	6,056
1956	1,935	798	931	206	5,470
1957	2,356	980	1,157	219	6,157
1957					
January	162	50	90	22	480
February	144	56	65	23	536
March	205	75	95	35	562
April	158	73	72	13	488
May	204	91	100	13	540
June	152	72	72	8	400
July	207	75	123	9	467
August	236	93	124	19	545
September	195	68	110	17	548
October	234	126	83	25	594
November	220	94	104	22	500
December	239	107	120	13	344
1958					
January	227	73	134	20	500
February	233	79	131	23	489
March	201(r)	74(r)	109	18	515
April	262(r)	64(r)	173	25	499
May	190	44	123	23	408
June					
July					
August					
September					

Source: Food and Drug Administration

FOOD AND DRUG ADMINISTRATION: NEW DRUG APPLICATIONS RECEIVED

New drug applications received by the Food and Drug Administration totalled 219 in May--31 original applications and 188 supplements to original applications.



Period	New drug applications received by the Food and Drug Administration [1]		
	Total	Original applications	Supplements to original applications [2]
1953	1,199	309	890
1954	2,623	506	2,117
1955	5,977	598	5,379
1956	4,572	506	4,066
1957	3,242	499	2,743
1957			
January	339	47	292
February	349	60	289
March	304	44	260
April	293	43	250
May	255	51	204
June	250	34	216
July	253	52	201
August	223	35	188
September	220	34	186
October	270	41	229
November	270	32	238
December	216	26	190
1958			
January	267	34	233
February	254	36	218
March	266	43	223
April	222	36	186
May	219	31	188
June			

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[1] A new drug application is submitted to the Food and Drug Administration before a new drug is marketed. The application must show that the drug is safe for each use for which it is to be offered. Supplemental new drug applications represent changes in manufacturing methods, dosage forms, labeling, etc., from those specified in the original application. Supplements also may provide for manufacturing operations by secondary producers, and for custom labeling for distributors. [2] The peak number of Supplements in late 1954 is caused principally by considerable activity on medicated feeds at that time. The peak in 1955 is related to activity on the new tranquilizers. (See chart.)

Source: Food and Drug Administration

7/25/58.

BUDGET PROJECTIONS -- Agency Plans

$ Billions

	Fiscal Years	1958 Current Estimate	1959 Budget Document	1959 Current Estimate	1960	1961 Estimate	1962
1.	Expenditures						
	Based on agency projections. Includes amounts by BOB to cover smaller agencies, pay raise, and contingencies						
a.	Department of Defense..........	$ 39.0	$ 40.1	$ 40.7	$41.5	$43.8	$ 45.5
b.	Other security*................	6.6	6.8	7.0	7.5	7.7	8.2
c.	Total security*............	45.6	46.9	47.7	49.0	51.5	53.7
d.	Interest..................	7.7	7.9	7.3	7.6	7.7	7.9
e.	Other	19.7	19.1	25.0	25.2	25.4	24.6
f.	Total	73.0	73.9	80.0	81.8	84.6	86.2
2.	Receipts						
	Present tax rates, rapid economic recovery and continuing growth..	70.0	74.4	69.0	76.5	80.5	83.5
3.	Surplus (+) or Deficit (-)........	-3.0	+.5	-11.0	-5.3	-4.1	-2.7

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* Includes Mutual Security, AEC and stockpiling

IMMEDIATE RELEASE July 28, 1958

James C. Hagerty, Press Secretary to the President

THE WHITE HOUSE

THE WHITE HOUSE TODAY MADE PUBLIC THE FOLLOWING LETTER FROM THE PRESIDENT TO THE VICE PRESIDENT AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES

Dear Mr. Vice President:
Dear Mr. Speaker:

The Secretary of the Treasury and the Director of the Bureau of the Budget have advised me that contemplated revenues and expenditures for fiscal 1959 make it necessary to request an increase in the debt limit. Accordingly, the Administration is at this time asking the Congress to increase the regular statutory debt limit to $285 billion and also to provide an additional temporary increase of $3 billion to run through June 30, 1960.

Advices from the Secretary of the Treasury and the Director of the Bureau of the Budget indicate clearly that the increase of the regular limit is needed because of the deficit outlook for the current fiscal year, which makes it evident that the debt cannot be reduced to the present $275 billion limitation by June 30, 1959. In addition, it is clear that the requested temporary increase would provide needed flexibility to allow more efficient management of the debt, as well as to provide for contingencies which may cause unforeseeable demands upon the Treasury.

The Secretary of the Treasury and the Director of the Bureau of the Budget will be glad to provide details in support of this request.

Sincerely,

/s/ Dwight D. Eisenhower

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CABINET PAPER—PRIVILEGED
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CA - 58-113

July 30, 1958

The White House
Washington

THE CABINET

Agenda

Friday, August 1, 1958

EXECUTIVE SESSION: ✓

9:00 A. M.

* * * * * *

REGULAR SESSION:

9:15 A. M.

1.	Promoting the Growth of the National Economy	(Oral)	The Chairman, Council of Economic Advisers and Members of the Cabinet: Secretary Weeks Secretary Benson Secretary McElroy The Postmaster General

Robert Gray
Secretary to the Cabinet

CABINET PAPER
For Action

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

Friday, August 1, 1958
9:00 A. M. -- 10:45 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Anderson
Sec. McElroy
Mr. Rogers
Mr. Summerfield
Sec. Seaton
Sec. Weeks
Sec. Benson
Sec. Mitchell
Dr. Flemming

Director of Budget Stans
Deputy Director John Patterson
(for Gov. Hoegh)
Amb. Lodge
Dr. Saulnier

Mr. McCone, AEC
Mr. Merriam, Budget

Gov. Adams
Gen. Persons
Mr. Robert Gray
Gen. Bragdon
Mr. Siciliano
Mr. Gordon Gray
Mrs. Wheaton
Gen. Goodpaster
Mr. Bradley Patterson
Mr. Minnich

Executive Sessions - The President suggested that it might be useful for the Cabinet regularly to meet in Executive Session for ten minutes prior to taking up the agenda.

Growth of the National Economy - Dr. Saulnier presented charts depicting the growth of the national economy generally since the 1930s and for specific periods. For the entire period the growth has been close to a steady 3%, and for 1952-56 it was exactly 3.2%, precisely what the Joint Economic Committee recommended as a desirable rate.

Looking to the future, Dr. Saulnier projected possible growth rates of 1.5%, or 3.2%, or 5%. He commented on the implications to the economy of the several rates, noting that growth tends to be more rapid in the period immediately following a recession. He stated that, even at the lowest rate of 1.5%, upward pressures on prices are evident. He concluded that the Government can do some things to promote growth with

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-11-76

as much price stability as possible, that the rate of growth will depend on the incentives available to private citizens -- primarily the tax system -- and that the Government ought now give its attention to programs that would help immediately in the problem of recovery and lead toward whatever long-term goal might be set. He cautioned about the major obstacle to economic growth being the constant pushing of wage costs on production costs and thus eventually on prices, hence the Government ought to determine how this tendency can be fought..

Dr. Saulnier asked that the departments submit their annual legislative programs and budgetary figures earlier this year (preferably in September) so that time will be available for the greater study and discussion needed this year prior to making the annual economic report.

In the ensuing extensive discussion the following points were most significant: (1) A 1.5% rate of growth would represent the growth of the population, assuming no increase in productivity -- with a productivity increase, full employment would not be maintained at 1.5%; (2) the President pointed to Germany's concern with inflation rather than recession, and Dr. Saulnier noted that Germany's inflation resulted from monetary inadequacies rather than pressure of wages on costs; (3) Sec. Mitchell doubted that voluntary action would serve to restrain inflation, that direct controls would be unsatisfactory in peacetime, but that the Government should make an intensive study and reach a conclusion as to whether it could or could not do anything effectively in this regard; (4) Dr. Saulnier agreed with the Postmaster General that a growth rate of 5% or even more would be essential for the next year or year and a half, and that over the long term a 1.5% rate would not be sufficient; (5) the Postmaster General urged that the last two years of this Administration be devoted to inspiring a growth program.

In respect to (5) above, the President stated that Dr. Saulnier was now charged with this responsibility and that a group already in being under his direction could usefully pursue this subject.

* * * *

Mr. Stans then correlated current budget problems with Dr. Saulnier's presentation, emphasizing the anticipated $12 billion deficit for FY 1959 and possibly $80 billion of expenditures.

Mr. Stans outlined various means of dealing with the problem, including (1) Presidential vetoes of expensive legislation; (2) an act of Congress, possibly requested by the President, requiring a 5% cut in all programs, but this would be inappropriate to certain critical programs and might not produce even $1 billion in savings; or, (3) a Congressional directive, again possibly requested by the President, that the Executive cut up to $1 billion from civil programs. Mr. Stans pointed to various bills, approved and pending, which could be subjected to such a cut.

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By ZHC NLE, Date 8-11-76

The President focussed his remarks on how the mutual security appropriation was being used as a hostage by the Congress and might be further reduced should the President veto any pet proposals from the Congress. He noted similarly the AEC appropriation, containing an unwanted $193 million, where a veto would cause failure of Congress to pass the Euratom bill. Hence, the President was inclined against asking Congress to direct a budgetary reduction move, though he would accept willingly any directive the Congress itself initiated. He felt he could use existing authority to reserve certain funds and thus not give the appearance of weakening his position by asking Congress for a directive.

In discussion of the $12 billion deficit, Sec. Anderson emphasized that $7 billion was caused by revenue losses at a time when a tax reduction program was greatly in need. He felt that something might be done in terms of changing the depreciation provisions since that would not in the long run cost the Federal Government any money. He concluded his remarks by emphasizing the public feeling that great inflation is in the offing, as witness the present status of the stock market.

Sec. Weeks agreed that the market reflected inflationary fears, then revived his traditional suggestion that our tax system needs to be based less heavily on income. He hoped that time would come when something could be done to institute a manufacturers' excise tax.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Gray
Mr. Minnich

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RA - 58-113

August 4, 1958

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the regular meeting of the Cabinet on Friday, August 1, 1958:

1. Promoting the Growth of the National Economy

ACTION:

a) The Chairman of the Council of Economic Advisers will discuss further with the President the formation of a special Cabinet group or groups to study:

   i) Tax structure reform, (including the problems of percentage rates, depreciation allowances and over-dependency on income as a tax basis) with due regard being given to both short-range and long-range effects;

   ii) Long-term anti-inflationary measures, especially with respect to costs.

   These groups will present for the Cabinet's consideration and Presidential use a positive program to meet the nation's major economic problems.

b) The deadline for departmental and agency contributions to the President's annual Economic Report is to be advanced to September, to permit concurrent consideration of these contributions with the above studies.

ADDITIONAL ITEMS:

A. FY 1959 Expenditures

ACTION:

The Cabinet noted that with respect to the immediate problem of 1959 expenditures, the following possible courses of action were advanced:

1) Vetoes (accompanied by strong messages) of extravagant spending proposals;

2) Appropriate Congressional economy action;

3) Investigation by the Director of the Bureau of the Budget of authorizations in the FY 1959 appropriations including the Defense appropriations, which are in excess of the President's budget and which could be made subject to a withholding of funds if the President so determined.

B. Executive Sessions of the Cabinet

ACTION:

The President suggested that each Cabinet meeting begin with a 10-minute Executive Session.

Robert Gray
Secretary to the Cabinet

Approved by the President
August 4, 1958

THE WHITE HOUSE
WASHINGTON

July 31, 1958

MEMORANDUM FOR THE PRESIDENT

EXECUTIVE SESSION -- 9:00-9:15 A.M.

REGULAR SESSION:

1. Promoting the Growth of the National Economy (Dr. Saulnier and Members of the Cabinet)

On June 27, following the Bureau of the Budget's monthly status report, the Postmaster General spoke to the need for strengthening our economy in order to produce the revenues necessary to match future expenditures. It was agreed that at a future Cabinet meeting we would have a presentation on "promoting the growth of the national economy".

This item will open with an introduction by Dr. Saulnier which will draw a comparison of past and projected growth rates.

Following this, the members of the Cabinet listed on your agenda are prepared to make specific comments and suggestions; others have indicated they want to participate in the discussion following these presentations.

In order that this meeting may result in more than an interesting discussion, you may wish to create an ad hoc Cabinet Committee to draw up a basic national policy paper on economic growth. Such a document, after Cabinet review and your approval in the fall, could be an economic charter -- a statement of goals and methods which would be a guidepost for the remainder of your term of office and a legacy for the future.

Robert Gray
Robert Gray
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

July 22, 1958

"FUTURE OF AMERICAN ECONOMIC STRENGTH": Tentative Description of the Content of Item ~~2~~ 1 on the Cabinet Agenda for Friday, ~~July 25.~~ 8/1

OPENING PRESENTATION: (Dr. Saulnier)

USSR economic growth each year (7 percent)

US yearly economic growth prior to the recession (3.5 percent)

Within 5 years USSR may catch up to us in certain areas of the economy -- particularly since US economic growth right now is at a zero rate.

INDIVIDUAL AGENCY CONTRIBUTIONS AND REMARKS:

1. Commerce
   - a. More should be done by the private sector of our economy
   - b. More attention needs to be given to stimulating private investment abroad -- especially in Latin America and Africa
   - c. Commerce Department itself primarily a service agency

2. Treasury
   - a. Discussion of the kind of tax system needed for the future -- which will be an incentive for economic growth

b. Would not discuss current tax and debt problems

3. Agriculture

a. Present economic status of farm belt

b. What can be done to keep on improving this picture so that this segment of our economy will always be an addition rather than a drag on our economic strength

c. Relationship between big crops and big budgets

d. Problems of world production and world gluts

e. Future shortage of land in the United States

4. Labor

a. Our future manpower picture -- composition of our work force (reference to prior Cabinet presentation)

b. In view of the above, how to increase the productivity of this work force

c. Better training for young people -- but this conflicts with HEW problems below

d. More use of older people -- and this ties closely into HEW efforts below

e. More use of women

f. Better use of minority groups -- 15 million people in the labor force

g. Effectiveness of Labor's present legislative program

5. Health, Education and Welfare

   a. The relationship between education and increased productivity. The need for more investment in education for the future and how this investment will pay off in terms of economic strength.

   b. The future health needs of the nation

   c. The future medical research needs of the nation

6. Defense

   a. How to bring stability into Defense procurement -- avoiding great peaks and valleys in Defense expenditures

   b. How, through stable Defense spending to help keep the economy stable

7. Bureau of the Budget

   a. Perhaps a question about comparative US-USSR growth figures

   b. US Budget should not be made in Moscow

   c. US should not export recession abroad

   d. US should not export inflation abroad

CONCLUSION AND FOLLOW-UP:

1. Specific problems to be identified for more precise staff work and future Cabinet consideration.

2. Desirability of drafting a basic economic policy paper -- of course, in general terms but having the same advantages of the basic NSC paper (NSC 5810)

Summerfield statement for 8/1/58 meeting

Mr. President,

I believe this has been one of the most valuable Cabinet discussions we have had in a long, long while.

We are all very aware of the national expenditures we face in the years ahead. For the most part, we are willing, however reluctantly, to admit that they are necessary, and the best we can do is to maintain our vigilance to keep expenditures at the genuine minimum. But expenses are only one of the sides of the Federal profit-and-loss statement which deserves our continued attention. This discussion this morning gives us new reason to hope that there are ways in which we can increase our income. If this is so, then enormous deficits may not necessarily be the result of the obligations ahead of us. Around this table this morning I sense a contagious enthusiasm for doing more than wrestling with expenditures, taking a positive stand on the nation's financial problems. I respectfully suggest, Mr. President, that this discussion be climaxed by your appointment of a Cabinet Committee, assigned to the task of preparing a basic national policy paper on promotion of economic growth -- an economic charter -- and reporting back to the Cabinet in the early fall. Such a charter could be a tremendous monument to you, Mr. President, in the last two and one-half years of your term of office, and would be worthy of the best efforts of us all.

BUDGET RECEIPTS AND EXPENDITURES
Under Varying Rates of Economic Growth

(Billions of dollars)

FISCAL YEAR	EXPENDITURES	RECEIPTS			SURPLUS OR DEFICIT		
		Actual					
1956	66.5	68.2			+1.6		
1957	69.4	71.0			+1.6		
1958	71.9	69.1			-2.8		
		Projected					
	Illustrative	Economic recovery, followed by			Illustrative		
	A	1-1/2% growth (a)	3.2% growth (b)	5% growth (c)	(a)	(b)	(c)
1959	79.0	67.0	67.0	67.0	-12.0	-12.0	-12.0
1960	79.0	74.5	75.5	75.5	-4.5	-3.5	-3.5
1961	80.5	75.5	81.0	81.5	-5.0	+.5	+1.0
1962	82.0	77.0	84.0	86.0	-5.0	+2.0	+4.0
	B				(a)	(b)	(c)
1959	79.0				-12.0	-12.0	-12.0
1960	78.5				-4.0	-3.0	-3.0
1961	78.0				-2.5	+3.0	+3.5
1962	77.5				-.5	+6.5	+8.5

7/30/58

Gross National Product--1929-57

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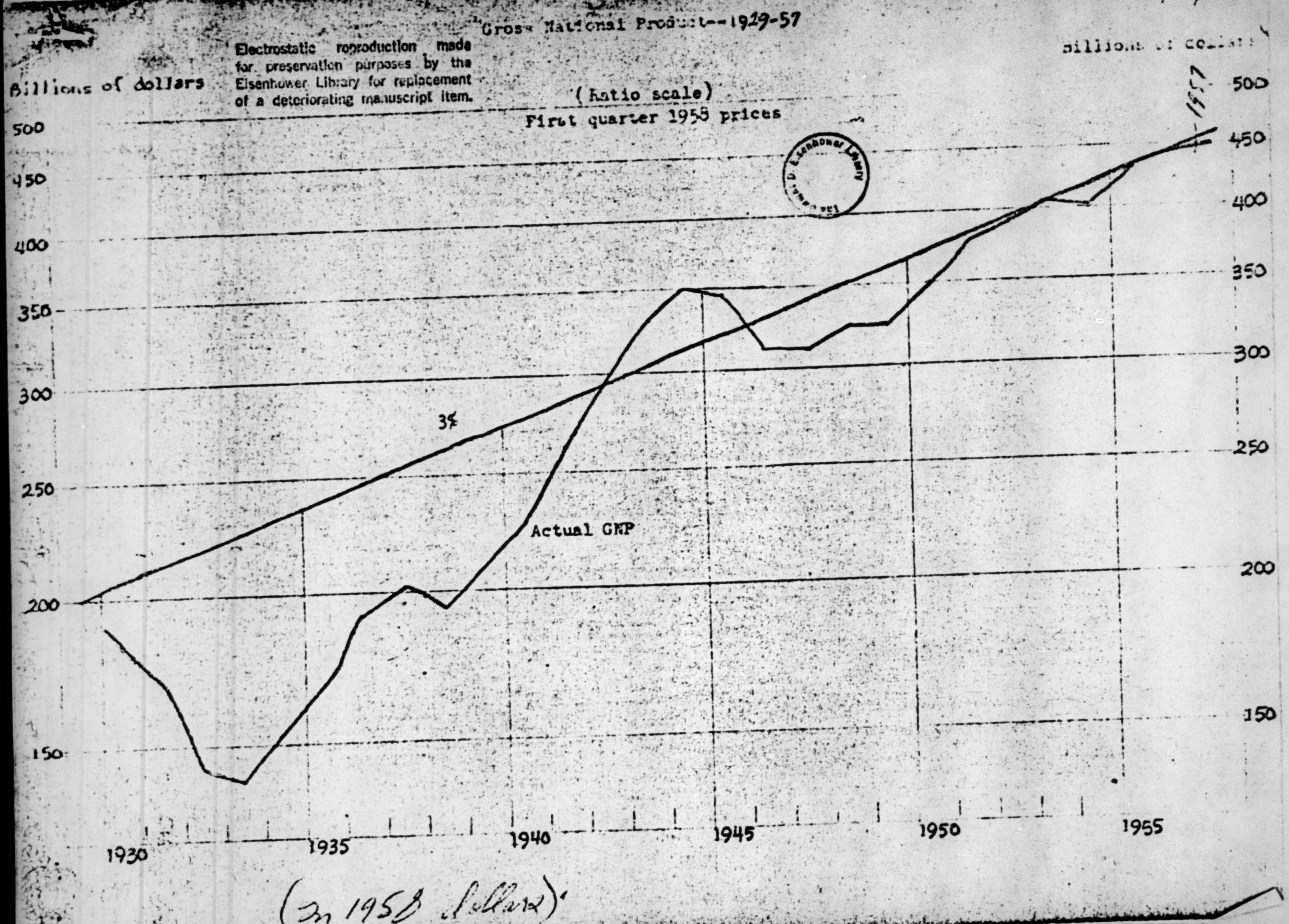

(In 1958 dollars)

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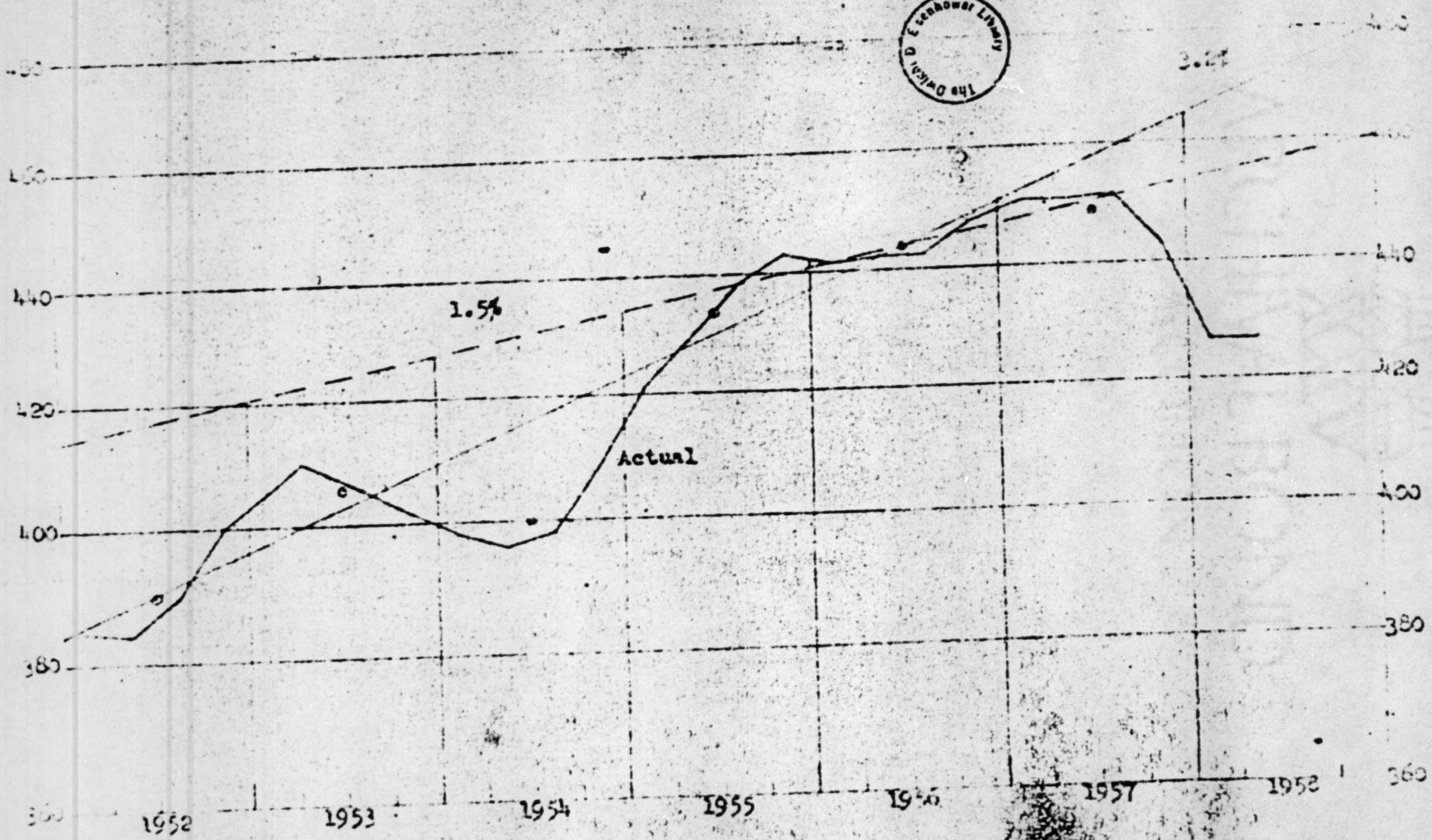
Gross National Product--1952-58

(Ratio scale)

First quarter 1958 prices



* Seasonally adjusted annual rates.

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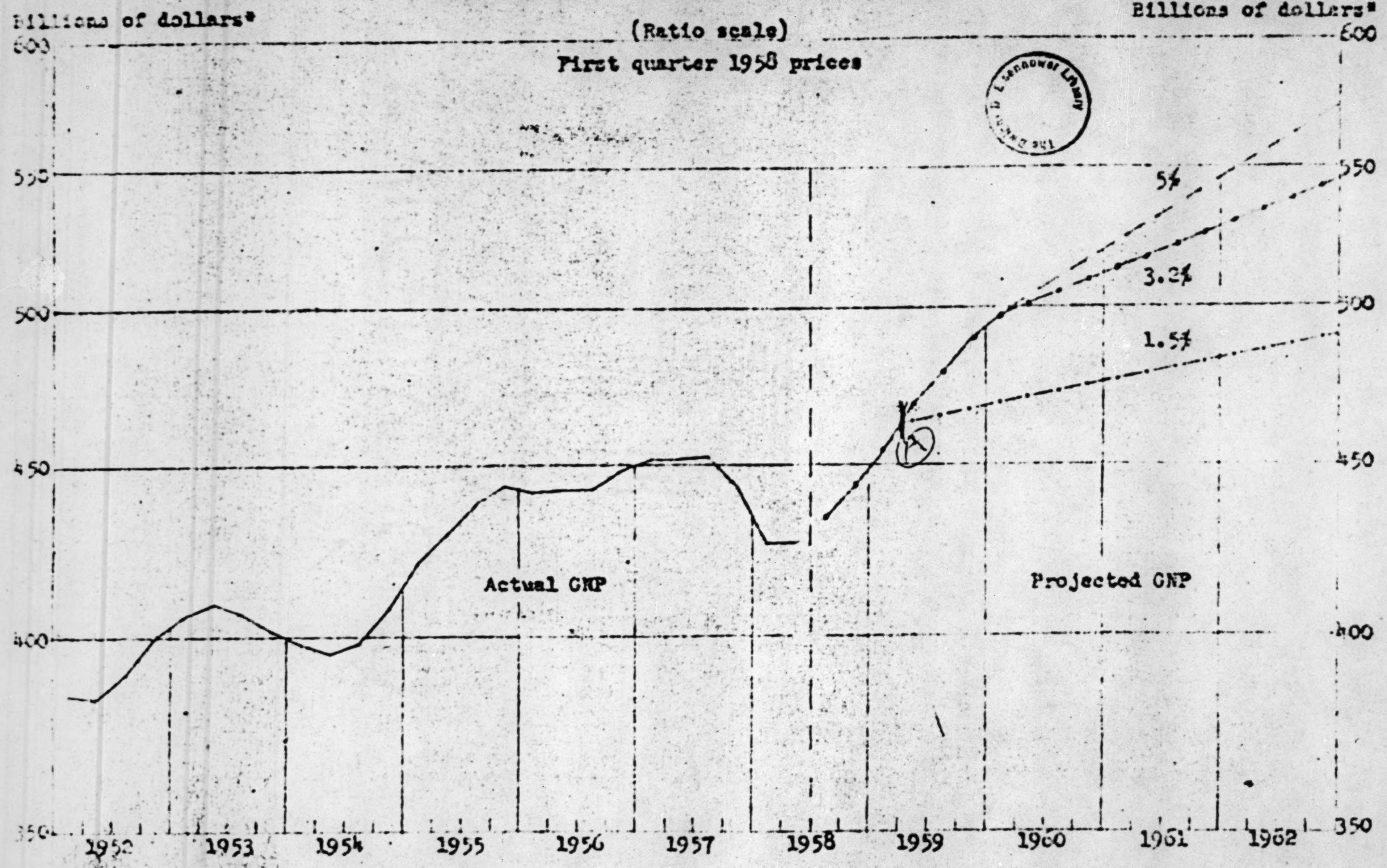
Gross National Product--Actual and Projected

(Ratio scale)

First quarter 1958 prices



* Seasonally adjusted annual rates.

Assumes a recovery path of [illegible] 10%

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Projections of GNP in Constant Dollars, Output per Employed Person, and Implied Employment and Unemployment Estimates, by Quarters Recession and Recovery of 1957-58-59 (Seasonally Adjusted)

		GNP Billions IQ 1958 $	Percent Change from Previous Quarter	Employment			Civilian Labor Force	Unemployment		GNP per Employed Person
				Total 000's	Civilian 000's	Military 000's		Number (thousands)	Percent of Labor Force	
1957	I	450.7		67,892	65,075	2,817	67,783	2,752	4.1	6,638
(Crest?)	II	451.1	+ .09	67,938	65,118	2,820	67,910	2,783	4.1	6,640
	III	451.5	+ .09	67,822	64,995	2,827	67,947	2,944	4.3	6,657
	IV	442.9	-1.91	67,523	64,789	2,734	68,070	3,318	4.9	6,559
1958	I	425.8	-3.86	66,660	64,014	2,646	68,643	4,434	6.5	6,388
(Trough?)	II	425.9	+ .02	66,433	63,792	2,641	68,800	4,946	7.2	6,411
	III	434	+1.90	66,655	64,055	2,600	69,025	4,970	7.2	6,511
	IV	443	+2.07	66,887	64,287	2,600	69,250	4,983	7.2	6,625
1959	I	455	+2.71	67,657	65,057	2,600	69,475	4,418	6.4	6,725
	II	468	+2.86	68,571	65,971	2,600	69,700	3,729	5.4	6,825
	III	479	+2.35	69,169	66,569	2,600	69,925	3,356	4.8	6,925
	IV	490	+2.30	69,503	66,903	2,600	70,150	3,247	4.6	7,050
1960	I	498	+1.63	70,019	67,419	2,600	70,375	2,956	4.2	7,112
	II	502	+ .80	70,235	67,635	2,600	70,600	2,965	4.2	7,147
(Full Recovery?)	III	506	+ .80	70,450	67,850	2,600	70,825	2,975	4.2	7,182
	IV	510	+ .79	70,666	68,066	2,600	71,050	2,984	4.2	7,217

[illegible] GNP fell 5.59% in four quarters, crest to trough. Employment fell 2.22% Output per employed person fell 3.45%. Growth of the labor force is assumed at 900,000 per year. Productivity trend derived by setting "full recovery" at 4.2% unemployment in IQ 1960, then projecting forward at 2.5% per year.

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Course of GNP in Constant Dollars, Output per Employed Person, and Labor Force and Employment, by Quarters
Recession and Recovery of 1953-54-55 (Seasonally Adjusted)

		GNP Billions IQ 1958 $	Percent Change from Previous Quarter	Employment			Unemployment		GNP per Employed Person	Percent Change from Previous Quarter
				Total 000's	Civilian 000's	Military 000's	Number (Millions)	Percent of Labor Force		
1953 (Crest)	I	406.4		65,977	62,443	3,544	1.76	2.8	6,160	
	II	409.8	+ .84	65,629	62,090	3,539	1.70	2.7	6,244	+1.36
	III	406.1	- .90	65,504	61,919	3,585	1.72	2.8	6,200	- .71
	IV	400.7	-1.33	64,887	61,366	3,521	2.37	3.7	6,175	- .40
1954 (Trough)	I	397.8	- .72	64,447	61,027	3,420	3.43	5.9	6,173	- .03
	II	396.1	- .43	64,158	60,798	3,360	3.69	5.7	6,174	+ .02
	III	398.2	+ .53	64,002	60,673	3,329	3.79	5.9	6,222	+ .78
	IV	407.9	+2.44	64,384	61,091	3,293	3.45	5.4	6,335	+1.82
1955	I	421.4	+3.31	64,761	61,555	3,206	3.13	4.8	6,507	+2.72
	II	428.6	+1.71	65,499	62,433	3,066	2.87	4.4	6,544	+ .57
(Full Recovery)	III	437.5	+2.08	66,472	63,504	2,968	2.75	4.2	6,582	+ .58
	IV	443.0	+1.26	67,185	64,231	2,954	2.83	4.2	6,594	+ .18
1956	I	440.8	- .50	67,317	64,412	2,905	2.77	4.1	6,548	- .70
	II	441.9	+ .25	67,636	64,773	2,863	2.89	4.3	6,534	- .22

Notes: GNP fell 3.34% in four quarters, crest to trough. Employment fell 2.24%. GNP rose 10.45% in five quarters, trough to full recovery. Employment rose 3.61%. Output per employed person fell 1.12%, crest to trough. Output per employed person rose 6.61%, trough to full recovery.

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Course of GNP in Constant Dollars, Output per Employed Person, and Labor Force and Employment, by Quarters
Recession and Recovery of 1948-59-50 (Seasonally Adjusted)

		GNP Billions IQ 1958 $	Percent Change from Previous Quarter	Employment			Unemployment		GNP per Employed Person IQ 1958 $	Percent Change from Previous Quarter
				Total 000's	Civilian 000's	Military 000's	Number (Millions)	Percent of Civilian Labor Force		
1948	I	317.4		59,929	58,695	1,234	2.31	3.8	5,296	
	II	325.0	+2.39	60,152	58,907	1,245	2.26	3.7	5,403	+2.02
	III	327.5	+ .77	60,815	59,487	1,328	2.30	3.7	5,385	- .33
(Crest)	IV	329.1	+ .49	60,693	59,274	1,419	2.44	4.0	5,422	+ .69
1949	I	320.7	-2.55	60,335	58,846	1,489	2.90	4.7	5,315	-1.97
	II	317.3	-1.06	59,729	58,253	1,476	3.57	5.8	5,312	- .06
	III	322.3	+1.58	59,595	58,132	1,463	4.07	6.5	5,408	+1.81
(Trough)	IV	320.0	- .71	59,882	58,445	1,437	4.44	7.1	5,344	-1.18
1950	I	331.8	+3.69	59,969	58,596	1,373	4.06	6.5	5,533	+3.54
	II	342.1	+3.10	60,893	59,573	1,320	3.54	5.6	5,618	+1.54
	III	358.0	+4.65	61,553	60,185	1,368	2.92	4.6	5,816	+3.52
(Full Recovery)	IV	364.9	+1.93	62,564	60,627	1,937	2.68	4.2	5,832	+ .28
1951	I	366.1	+ .33	63,195	60,718	2,477	2.23	3.5	5,793	- .67
	II	371.3	+1.42	63,586	60,676	2,910	1.99	3.2	5,839	+ .79

Notes: GNP fell 2.77% in four quarters, from crest to trough. Employment fell 1.34%. GNP rose 14.03% in four quarters, from trough to full recovery. Employment rose 4.48%. Output per employed person fell 1.44% from crest to trough. Output per employed person rose 9.13% from trough to full recovery.

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BUDGET RECEIPTS, EXPENDITURES, AND DEFICITS
Under Varying Rates of Economic Growth

(Billions of dollars)

FISCAL YEAR	EXPENDITURES	RECEIPTS			SURPLUS OR DEFICIT		
		Actual					
1956	66.5	68.2			1.6		
1957	69.4	71.0			1.6		
1958	71.9	69.1			-2.8		
		Projected					
		Economic recovery, followed by			1½	3.2	5%
	Illustrative	1-1/2% growth	3.2% growth	5% growth	Illustrative		
	A	(a)	(b)	(c)	(a)	(b)	(c)
1959	79.0	67.0	67.0	67.0	-12.0	-12.0	-12.0
1960	79.0	74.5	75.5	75.5	-4.5	-3.5	-3.5
1961	81.5	75.5	81.0	81.5	-6.0	-.5	.0
1962	83.0	77.0	84.0	86.0	-6.0	+1.0	3.0
					28.5 B		
	B	(a)	(b)	(c)	(a)	(b)	(c)
1959	79.0	67.0	67.0	67.0	-12.0	-12.0	-12.0
1960	78.5	74.5	75.5	75.5	-4.0	-3.0	-3.0
1961	78.0	75.5	81.0	81.5	-2.5	+3.0	+3.5
1962	77.5	77.0	84.0	86.0	-.5	+6.5	+8.5

Projected

THE WHITE HOUSE
WASHINGTON

August 7, 1958

Steve:

Per our telephone conversation, the notes which Secretary Benson had prepared for Cabinet presentation last week (and which he was never able to Deliver) are attached.

R Gray

Saul

OFFICE OF
THE SECRETARY OF AGRICULTURE

August 6, 1958

Mr. Robert K. Gray
The White House

Bob:

I checked with Secretary Benson.

He has no objection to your passing this on to Dr. Saulnier.

sent 8/7/58

Miller

Miller F. Shurtleff
Executive Assistant to the Secretary

Attachment

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THE LOOK AHEAD IN AGRICULTURE

I. 1958

A. Agriculture is presently experiencing an economic improvement which began in January of 1956.

1. Prices received by farmers, first half of 1958, were 8 percent above 1957.
2. Gross farm income, first half of 1958, was 11 percent above 1957 and the highest on record.

   (a) Gross marketings were 3 percent above 1957.

3. Net farm income, first half of 1958, was 22 percent above 1957.

   (a) These improvements are chiefly the result of large marketings of crops and improved prices for livestock products.

B. The general picture in agriculture is expected to stay good through 1958, which is as far ahead as our current price and income projections have been made.

1. As this year's near-record output comes to market during the months ahead there may be some moderate decline in prices. Prices, however, are expected to hold well above last year.
2. Costs of farm production continue to rise -- up 10 percent. Farm costs rose over 100 percent between 1939 and 1952.
3. Nevertheless, farmers' realized net income for 1958 will probably be substantially above 1957.

II. The Intermediate Outlook

A. We anticipate some problems, probably in 1959 and 1960, with respect to heavy supplies and reduced prices of livestock.

B. We are endeavoring to meet the situation by developing plans for extending good outlook information to guide farmers in their production decisions. We are setting up study groups to advise us with respect to plans for aiding in merchandising, promotion, and export and, if necessary, in purchase and donation programs.

III. The Longer Look Ahead

A. We have made some "long run" projections to 1965, based on the best assumptions we could develop.

1. Expect a population growth of 15 percent.
2. Expect an increase of from 17 to 22 percent in utilization of livestock products.
3. Expect a similar increase in crop utilization, particularly in feed grains, protein feeds, fruits and vegetables, with lesser increases in wheat and potatoes.
4. An overall increase in agricultural exports is expected.

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(a) Substantial increases in feed grains, fats and oils, and fruits. Moderate increases or little change for cotton, wheat, rice and tobacco.

(b) Now developing new markets abroad for poultry and livestock, including breeding stock, and hope to have good dollar exports of these commodities.

IV. Conclusions

A. Our production is likely to be in excess of domestic requirements and dollar exports for some time.

B. If sound legislation now before the Congress is enacted, we can look forward to a reduction in farm program costs. We must continue to press for improvements in our farm legislation at every opportunity.

C. It is likely that Public Law 480 will continue to be needed for a time.

D. Farming and related industries should produce good Federal tax revenue for 1958. It is difficult to forecast beyond that.

[illegible]

Mr. President

I believe this has been one of the most valuable Cabinet discussions we have had in a long, long time.

We are all [illegible] in these [illegible] we face in the years ahead. [illegible], we are willing, however unpleasantly, to accept that [illegible]. But the best we can do is to accept [illegible] of the [illegible] political [illegible] of the Federal [illegible] our continued expansion. [illegible] now reason to hope that there are [illegible] progress. If this is so, then [illegible] for the growth of the obligations ahead of us. [illegible] a contagious [illegible] expenditures, taking a positive stand on the nation's financial problems. I respectfully suggest, Mr. President, that this discussion be climaxed by your appointment of a Cabinet Committee, assigned to the task of preparing a basic national policy paper on proportions of [illegible] growth [illegible] and reporting back to the Cabinet in the [illegible]. Such a [illegible] would be a [illegible] to you, Mr. President, in the last two [illegible] years of [illegible] and would be worthy of the [illegible] of us all.

President has noted

Bob Gray

Per phone call G.

Suggested - PMG - statement

Mr. President,

I believe this has been one of the most valuable Cabinet discussions we have had in a long, long while.

We are all very aware of the national expenditures we face in the years ahead. For the most part, we are willing, however reluctantly, to admit that they are necessary, and the best we can do is to maintain our vigilance to keep expenditures at the genuine minimum. But expenses are only one of the sides of the Federal profit-and-loss statement which deserves our continued attention. This discussion this morning gives us new reason to hope that there are ways in which we can increase our income. If this is so, then enormous deficits may not necessarily be the result of the obligations ahead of us. Around this table this morning I sense a contagious enthusiasm for doing more than wrestling with expenditures, taking a positive stand on the nation's financial problems. I respectfully suggest, Mr. President, that this discussion be climaxed by your appointment of a Cabinet Committee, assigned to the task of preparing a basic national policy paper on promotion of economic growth -- an economic charter -- and reporting back to the Cabinet in the early fall. Such a charter could be a tremendous monument to you, Mr. President, in the last two and one-half years of your term of office, and would be worthy of the best efforts of us all.

Noted by the President.
August, 1958
per AG-AJG.

DRAFT PMG Statement

Not used in full at
Cabinet 8/4/58

There are various major problems facing us today. Among these the following are important, but by no means all-inclusive:

1. The threat of an outbreak of hostilities on a wide scale.
2. The continued cold war and economic threat of Russia.
3. The fact that Russia is growing economically appreciably more rapidly than the United States.
4. The loss of incentive within our nation to move ahead with the vigor, speed, and determination of earlier times.

The first two of these problems are under the control of Russia and all we can do is work effectively on the defensive. The last two of the problems, however, are primarily domestic and must have the attention of our people and our government.

The four problems taken together mean larger government spending. With our public debt already above $275 billion, and a deficit for this fiscal year of approximately $10 billion, such larger outlays are not encouraging. In fact, larger outlays raise the question of whether we, as a nation, can afford what is ahead and still maintain our form of government and the value of our money.

The answer to this question is that we can afford such outlays if we can increase the growth rate of the nation. Such growth would mean that the government would get more revenue without increasing taxes. It also would mean that although the total of government spending would be larger in terms of dollars, it would not necessarily be larger in terms of its proportion of the national income.

To solve these four problems, therefore, it is imperative that we get our economy growing at a higher rate. Historically it is usually said we have grown about 3 percent a year. This rate needs to be at least doubled.

How can we obtain such a doubling of the growth rate? That is not an easy problem, and many facets are involved. All of these facets have to do with the re-creation of incentives, or the elimination of what are regarded as handicaps. This does not mean liquidation of the program of social progress of the past generation. Neither does it mean the repeal of significant laws. But it does mean having the courage to take hold of some controversial issues, and to solve them on the basis of merit, not political expediency.

The first issue is taxation. Our whole tax system needs to be overhauled. Too large a proportion of government revenues come from income taxes. As a result of this the flow of funds is unstable. Further the rates on both individuals and corporations are too high. In the case of corporations with a 52 percent rate, the owners are in the position of junior partners insofar as income is concerned. With individual rates running up to 91 percent there is little room for incentive. And these highly progressive rates yield only a small amount of income -- well over 80 percent of the total coming from the base rate.

There are many ways by which the tax system could be reformed. One proposal which has received much attention this year is the Sadlak-Herlong bill -- a five year program. But the particular method of reform is not as important as the determination to reform. Once such reform is accomplished we should be free of one group after another attempting to get itself freed of the present punitive rates. In the meantime these efforts are certain to continue, and all of them cost the Treasury money.

Another serious defect of the present tax system is our hodpodge of excise taxes. Many of these were imposed during the War for the primary purpose of curtailing consumption. The ideal would be to eliminate all the present excises, with the exception of those on alcohol and tobacco, and those should be lowered, and substitute a uniform rate. For ease of collection the uniform rate should be only on manufactured goods, and an exception could be made for foods and food products. Such exemptions, plus rent, would mean that those of lower incomes would have most of their spending free of excise taxes.

The system of depletion allowances should also be re-examined. The idea of such allowances is perfectly sound, but some of the present rates may be excessive.

Depreciation for tax purposes at present is unrealistic. Some reform has been made in recent years on this, but much more needs to be done. Our nation is a real laggard in this field.

Capital gains taxation is another field in need of review. The present system tends to freeze investors into individual situations, and may actually be yielding less revenue than lower rates and a shorter period would bring in.

Income rates, excise taxes, depletion allowances, depreciation, and capital gains, are only the more obvious points that need to go into a system of taxation reform. If properly carried out, there would be no loss of revenue to the Treasury, and by stimulating business and individual effort might well materially increase revenues -- not in the far distant future, but almost immediately.

The second issue is government spending. Only three points need to be mentioned in this connection. First, maximum efficiency and minimum waste must be the goal of all spending; secondly, no new programs that are not absolutely imperative should be undertaken, and thirdly, the present program of returning activities to the States should be pursued vigorously.

The third issue is labor. This is both controversial and difficult. It will serve no particular purpose to limit labor legislation to the problem of internal operation of unions. That can make the management of unions a bit more decent and responsive to the wishes of members, but it will do virtually nothing toward solving the basic issues.

Labor unions do not need, and should not have, compulsory members. Legislation prohibiting this would do more to make union management give primary consideration to the welfare of members than any other single thing that could be done. It would mean that union management would have to earn its membership, just as trade associations do. That is not asking too much.

A stop should be put to a small number of international union officers, usually located in Washington, making the decisions of their locals throughout the country. That, plus compulsory membership, is what gives them monopoly power, and monopoly power in labor unions is no better than monopoly power in the hands of management.

Real teeth should be restored to the prohibition of secondary boycotts and coercive picketing. The law on this appears reasonably clear, but through a series of decisions by the Supreme Court the prohibitions no longer are effective.

The use of union funds, either directly or indirectly, for political purposes should be prohibited. No one objects to individual union members taking a part in politics. In fact they should be encouraged. But that is entirely different from the use of union funds for such purposes. And so-called educational programs, which actually are political programs, financed by union funds are a thin disguise, and should be prohibited.

Elimination of featherbedding and union shops are other reforms needed in the labor field. Featherbedding obviously is a waste of manpower; union shops are only one small step from a closed shop and compulsory union membership.

Industry-wide bargaining is undesirable from every point of view. Some management likes it because it enables it to keep its competitors from doing anything in the field of labor relations that would give them an advantage. But the net result is that management and labor get together and make a contract and the public pays the bill. That is not sound policy, no matter who defends it.

It should not be necessary to regulate the management of union welfare and pension funds, but recent revelations indicate that it may well be essential. Almost all the examples of wrong-doing have been in connection with funds managed by union members, and the regulation perhaps can be limited to those.

The fourth issue is maintenance of business competition. We have various anti-trust laws and a staff which is dedicated to their enforcement. It is generally believed that the laws are reasonably adequate, and that with proper enforcement there could not be an effective monopoly in the business field. If this is not true, the laws should be amended in what ever manner necessary to accomplish this end. Such amendment would not include pre-merger notification. That would disrupt business and be of no value in maintaining competition.

The fifth issue is agriculture. The problem is twofold: First, too much production, which makes an incredible drain upon the Treasury; and secondly, getting farming back on a profitable self-supporting basis. The program of Secretary Benson is moving in the direction of solving these problems, but progress is terribly slow. The ultimate solution will be for many more persons to move off the farms, but politically that cannot be advocated. Further, much of the present farm problem is the result of previous unwise governmental policies. In these circumstances it is not possible for government just to wash its hands of the problem. Solution will take time and the compelling thing is to make sure that the program adopted will make real progress toward attaining prosperous, self-supporting farms.

The sixth issue is international trade. Many industries currently are being hurt, and some rather badly, by imports at prices which they are unable to meet. It has been the spokesmen for these industries which have been fighting the renewal of the Reciprocal Trade Act. One must not be too harsh with these opponents. Foreign competition can be vicious and it is to be expected that those who feel the impact of it will attempt to defend themselves. Experience makes it clear, however, that tariff making should not be left to the Congress. The pressure for log-rolling is too great. Reciprocal Trade Agreements are the best answer yet devised, but care must be taken in making concessions, and especial care must be taken in over-ruling the recommendations of the Tariff Commission.

The seventh issue is States Rights. This is not a new problem but it has attained a new immenince in recent years as a result of various Supreme Court devisions. The particular decisions involved are those which, in effect, have held that in any field in which the Federal government has legislated, state laws no longer apply. That is an unhealthy doctrine and should be rescinded.

The eighth, and final, issue is money and banking. We have an excellent money and banking system and perhaps the best Federal Reserve Board of Governors in our history. Nonetheless there still is a problem. It arises from (1) the huge public debt and the necessity of the Reserve System seeing that it is possible for the Treasury to borrow whenever outgo exceeds income; (2) the growth of innumerable financial institutions outside the Federal Reserve System, which make it exceedingly difficult for the Reserve authorities to make their policies effective; and (3) the presence of a fairly large and very vocal group in favor of inflation.

To summarize, we need to find answers in the field of a thorough reform of our tax system, government spending, labor, business competition, agriculture, international trade, States Rights, and money and banking.

There are other issues, of course, many of them. But the other issues are not as important from the point of view of stimulating the economy and thereby creating the income out of which the government can get the money with which to meet an increasing load of obligations.

No one can guarantee that the solution of these eight fields of problems would double the growth rate of the nation. But no one should doubt that their solution would materially enhance incentives and provide an enormous sum of venture capital. It also would remove present fears and current handicaps to enterprise. Granting we are going to stay with our form of government and individual enterprise, that is all that should be expected of government in the economic field.